



MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2018

Auditor-General of South Africa
Chartered Accountants (S.A.)
Registered Auditors

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity

Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution of the Republic of South Africa.

Nature of business and principal activities

Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000.

Executive Committee

Cllr T.P Mamorobela

Cllr N.D Davhana

Cllr T.J Mamafha

Cllr T.D Ratshikuni

Cllr S Masuka

Cllr T.G Mukwevho

Cllr N.F Chililo

Cllr N.B Jones

Cllr A Matumba

Mayor

Cllr S.M Sinyosi (Full time Mayor)

Speaker

Cllr L.B Mogale

Chief whip

Cllr M.D Mboyi (Full time Chief Whip)

Councillors

Cllr T.J Mohlaba

Cllr L.G Masutha

Cllr K.M Maluleke

Cllr T Balibali

Cllr T.C Mamafha

Cllr T.E Tambani

Cllr T.M Babadu

Cllr A Du Plooy

Cllr M Kanukani

Cllr E Maduwa

Cllr V.S Luduvhungu

Cllr E.T Sithi

Cllr S.Z Mthombeni

Cllr P.N Musandiwa

Cllr M.D Ndou

Cllr J.N Simangwe

Cllr E.M Mulefu

Cllr M.S Machete

Cllr N.V Malivha

Cllr R.M Magada

Cllr G.M Ramushavha

Cllr M.A Mashamba

Cllr M.J Gabara

Cllr T Kutama

Cllr N Kutama

Cllr S.S Nyelisani

Cllr N.S Munyai

Cllr N.S Nemudzivhadi

Cllr F.N Madzhiga

MAKHADO LOCAL MUNICIPALITY

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General Information

Cllr S Masuka
Cllr S Madula
Cllr L.M Mathalise
Cllr K.S Ramavhoya
Cllr M.R Makgoadi
Cllr L.R Tshiambwa
Cllr G.R Rashamuse
Cllr F.B Hlongwane
Cllr M.E Malima
Cllr T Seshoki
Cllr M.C Nematandani
Cllr R Raliphada
Cllr N.A Mafhala
Cllr T.A Maraga
Cllr G Tsibvumo
Cllr T.E Dzivhani
Cllr T.M Malange
Cllr S.S Tshifura
Cllr M.A Selapyana
Cllr M.N Ndou
Cllr M.J Mpashe
Cllr M.G Phoshoko
Cllr M.G Furumule
Cllr M.F Nethulwe
Cllr A.A Raphalalani
Cllr I.S Bulala
Cllr N Munyai
Cllr J Lukheli
Cllr R.T Maingo
Cllr M.F Mukhari
Cllr M.L Masipa
Cllr M.S Tshilambyana
Cllr L.G Maduwa

Grading of local authority

4

Accounting Officer

N.F Tshivhengwa

Acting Chief Finance Officer (CFO)

N.G Raliphada

Registered office

Corner Krogh and Erasmus Street
Makhado
0920

Business address

Corner Krogh and Erasmus Street
Makhado
0920

Postal address

Private Bag X2596
Makhado
0920

MAKHADO LOCAL MUNICIPALITY

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General Information

Bankers

First National Bank

Auditors

Auditor-General of South Africa

Chartered Accountants (S.A.)

Registered Auditors

Attorneys

Panel of attorneys of the Municipality

Tambani Matumba Attorneys

Makhuvha EM & Greg Munonde JV

Wisani Baloyi Incorporated

Lebea & Associates Attorneys

Nengwekhulu Tshindalani Incorporated

M.G Mabunda Attorneys

Hamman Moosa Incorporated

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

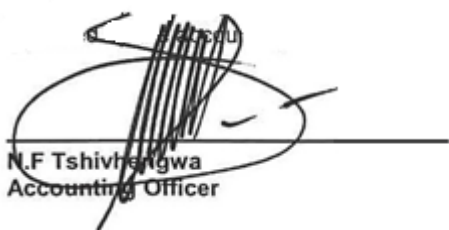
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is mainly dependent on the national or provincial government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that Makhado Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's council.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 6 to 99, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018.



N.F Tshivhengwa
Accounting Officer

31 August 2018

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the Municipal Finance Management Act no. 56 of 2003 and Municipal Systems Act no. 32 of 2000. and operates principally in South Africa.

Proportion of income generated/raised

2018

Type of income	Proportion of contribution to income	Amount
Service charges	33 %	284 716 522
Property rates	7 %	60 193 333
Grants and Subsidies	50 %	443 008 275
Traffic fines	1 %	5 819 498
Licence & permits	1 %	8 541 044
Other income	8 %	69 343 840

2017

Type of income	Proportion of contribution to income	Amount
Service charges	33 %	282 170 310
Property rates	7 %	58 978 738
Grants and Subsidies	49 %	426 915 051
Traffic fines	1 %	6 658 994
Licence & permits	1 %	368 210
Other income	9 %	86 219 176

2. Going concern

The municipality had an accumulated surplus of R 1 624 593 241 (R 1 698 330 489) and that the municipality's total assets exceeded its liabilities by R 1 624 593 241 (R 1 698 330 489).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any material events which occurred after the reporting date and up to the date of this report.

4. Accounting Officer's interest in contracts

The municipality has a policy relating to declaration of interest in contracts and other related transactions. This was adhered to in that relevant officials with interests in SCM related transactions declared (both potential and existing) declared their interests.

5. Accounting policies

The annual financial statements were prepared in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP) including any interpretation of such Statements issued by the Accounting Standards Board as the prescribed framework by National Treasury.

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Accounting Officer's Report

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all his activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discusses the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a regular basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors, are determined in terms of Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required of him by the Remunerations of Public Office Bearers Act No. 20 of 1998.

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

Audit and risk committee

The Chairperson of the audit committee is an independent audit committee member. The committee met on a regular basis during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Makhado Local Municipality must appoint members of the Audit and Performance Committee.

Internal audit

The municipality has a internal audit function, which is in compliance with the Municipal Finance Management Act, 2003 section 165.

7. Bankers

The municipality's bankers did not change during the current year.

8. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	2	117 954 379	117 643 422
Sundry Debtors	3	599 917	22 360 849
Receivables from non-exchange transactions	4	13 983 283	12 169 218
Consumer debtors - Exchange transactions	5	111 818 463	42 110 359
Consumer Debtors - Non exchange transactions	5	19 261 574	18 904 567
Cash and cash equivalents	6	19 026 891	103 329 310
		282 644 507	316 517 725
Non-Current Assets			
Investment property	7	14 814 511	15 200 228
Property, plant and equipment	8	1 645 768 078	1 667 684 963
Intangible assets	9	1 302 656	1 036 362
Heritage assets	10	2 160 239	2 160 329
		1 664 045 484	1 686 081 882
Total Assets		1 946 689 991	2 002 599 607
Liabilities			
Current Liabilities			
Borrowings	11	-	1 677 214
Finance lease obligation	12	3 046 172	3 568 493
Payables from exchange transactions	13	142 230 779	130 570 393
VAT payable	14	36 515 981	21 612 467
Consumer deposits	16	15 930 957	11 952 836
Employee benefit obligation	18	3 817 477	3 376 039
Unspent conditional grants and receipts	15	2 900 000	12 818 026
Deferred Income	17	29 062	99 165
		204 470 428	185 674 633
Non-Current Liabilities			
Finance lease obligation	12	696 532	2 582 573
Employee benefit obligation	18	104 368 258	107 619 136
Provisions	19	12 561 532	8 392 776
		117 626 322	118 594 485
Total Liabilities		322 096 750	304 269 118
Net Assets		1 624 593 241	1 698 330 489
Accumulated surplus		1 624 593 241	1 698 330 489

* See Note 37

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Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	284 716 522	282 170 310
Rental of facilities and equipment	24	7 400 236	368 210
Interest received - outstanding debtors	33	15 960 410	12 088 573
Licences and permits	24	8 541 044	17 144 344
Operational Revenue	21	36 644 414	47 257 061
Interest received - investment	32	9 338 780	9 729 198
Total revenue from exchange transactions		362 601 406	368 757 696
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	60 193 333	58 978 738
Transfer revenue			
Government grants & subsidies	23	443 008 275	426 915 051
Fines, penalties and forfeits	24	5 819 498	6 658 994
Total revenue from non-exchange transactions		509 021 106	492 552 783
Total revenue	24	871 622 512	861 310 479
Expenditure			
Employee related costs	25	(249 835 465)	(230 313 312)
Remuneration of councillors	26	(25 306 856)	(23 076 187)
Depreciation and amortisation	27	(76 668 489)	(74 009 292)
Impairment of non cash generating assets	48	(6 298 315)	(9 986 550)
Finance costs	28	(12 159 191)	(12 724 129)
Debt Impairment	29	(133 905 056)	(73 353 116)
Bulk purchases	30	(159 446 808)	(198 262 204)
Contracted services	49	(227 060 453)	(194 789 025)
General Expenses	31	(53 737 462)	(68 536 688)
Loss on disposal of assets and liabilities		-	(10 666 869)
Loss from transfer of functions between entities not under common control		(941 665)	(31 290 697)
Total expenditure		(945 359 760)	(927 008 069)
Deficit for the year		(73 737 248)	(65 697 590)

* See Note 37

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	1 686 280 425	1 686 280 425
Changes in net assets		
Surplus/(loss) for the year	(65 697 590)	(65 697 590)
Total changes	(65 697 590)	(65 697 590)
Adjustments		
Prior year adjustments	77 747 654	77 747 654
Balance at 01 July 2017 as restated*	1 698 330 489	1 698 330 489
Changes in net assets		
Surplus/(loss) for the year	(73 737 248)	(73 737 248)
Total changes	(73 737 248)	(73 737 248)
Balance at 30 June 2018	1 624 593 241	1 624 593 241

* See Note 37

MAKHADO LOCAL MUNICIPALITY

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Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Property rates		59 977 283	60 272 496
Service charges		260 375 933	261 706 098
Grants		433 090 249	388 261 513
Traffic Fines		4 005 433	1 844 176
Licence & permits		4 560 606	17 144 344
Other income		40 593 676	57 220 255
VAT Received		26 254 028	22 325 378
Interest Income		2 982 976	5 378 904
		<u>831 840 184</u>	<u>814 153 164</u>
Payments			
Employee costs		(269 428 814)	(247 153 318)
Remuneration of council		(25 306 856)	(23 076 187)
Payments to suppliers		(399 443 092)	(477 493 855)
Finance costs		(12 159 190)	(12 724 129)
		<u>(706 337 952)</u>	<u>(760 447 489)</u>
Net cash flows from operating activities	34	<u>125 502 232</u>	<u>53 705 675</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(206 121 702)	(192 471 749)
Proceeds from sale of property, plant and equipment	8	2 782 665	209 180
Purchase of other intangible assets	9	(602 884)	(140 000)
Net cash flows from investing activities		<u>(203 941 922)</u>	<u>(192 402 569)</u>
Cash flows from financing activities			
Repayment of borrowings		(1 677 214)	(1 540 350)
Finance lease payments		(4 185 515)	(3 744 443)
Net cash flows from financing activities		<u>(5 862 729)</u>	<u>(5 284 793)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(84 302 419)</u>	<u>(143 981 687)</u>
Cash and cash equivalents at the beginning of the year		103 329 310	247 310 997
Cash and cash equivalents at the end of the year	6	<u>19 026 891</u>	<u>103 329 310</u>

* See Note 37

MAKHADO LOCAL MUNICIPALITY

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	327 450 611	-	327 450 611	284 716 522	(42 734 089)	45
Rental of facilities and equipment	502 356	-	502 356	7 400 236	6 897 880	45
Interest income	13 726 379	-	13 726 379	15 960 410	2 234 031	45
Agency services	55 176 368	-	55 176 368	-	(55 176 368)	
Licences and permits	12 567 466	-	12 567 466	8 541 044	(4 026 422)	45
Other income	30 587 351	37 331 000	67 918 351	36 644 414	(31 273 937)	45
Interest received - investment	5 330 636	-	5 330 636	9 338 780	4 008 144	45
Total revenue from exchange transactions	445 341 167	37 331 000	482 672 167	362 601 406	(120 070 761)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	55 915 328	-	55 915 328	60 193 333	4 278 005	45
Transfer revenue						
Government grants & subsidies	300 109 000	1 545 000	301 654 000	443 008 275	141 354 275	45
Fines, Penalties and Forfeits	1 888 631	-	1 888 631	5 819 498	3 930 867	45
Total revenue from non-exchange transactions	357 912 959	1 545 000	359 457 959	509 021 106	149 563 147	
Total revenue	803 254 126	38 876 000	842 130 126	871 622 512	29 492 386	
Expenditure						
Personnel	(282 794 308)	15 000 000	(267 794 308)	(249 835 465)	17 958 843	45
Remuneration of councillors	(25 957 892)	-	(25 957 892)	(25 306 856)	651 036	45
Depreciation and amortisation	(95 872 478)	20 000 000	(75 872 478)	(76 668 489)	(796 011)	45
Impairment loss/ Reversal of impairments	-	-	-	(6 298 315)	(6 298 315)	45
Finance costs	(12 720 172)	-	(12 720 172)	(12 159 191)	560 981	45
Debt Impairment	(10 000 000)	(54 139 113)	(64 139 113)	(133 905 056)	(69 765 943)	45
Bulk purchases	(212 748 359)	7 000 000	(205 748 359)	(159 446 808)	46 301 551	
Contracted Services	(11 000 000)	(5 900 000)	(16 900 000)	(227 060 453)	(210 160 453)	
General Expenses	(190 408 111)	(29 540 539)	(219 948 650)	(53 737 462)	166 211 188	
Total expenditure	(841 501 320)	(47 579 652)	(889 080 972)	(944 418 095)	(55 337 123)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(38 247 194)	(8 703 652)	(46 950 846)	(72 795 583)	(25 844 737)	

MAKHADO LOCAL MUNICIPALITY

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Statement of Financial Position

Assets

Current Assets

Inventories	119 069 048	-	119 069 048	117 954 379	(1 114 669)	45
Sundry Debtors	111 277 376	-	111 277 376	599 917	(110 677 459)	
Receivables from non-exchange transactions	-	-	-	13 983 283	13 983 283	
Consumer debtors	57 500 688	-	57 500 688	131 080 037	73 579 349	
Cash and cash equivalents	130 412 112	-	130 412 112	19 026 891	(111 385 221)	
	418 259 224	-	418 259 224	282 644 507	(135 614 717)	

Non-Current Assets

Investment property	28 930 160	-	28 930 160	14 814 511	(14 115 649)	
Property, plant and equipment	2 266 837 104	-	2 266 837 104	1 645 768 078	(621 069 026)	
Intangible assets	1 225 728	-	1 225 728	1 302 656	76 928	
Heritage assets	-	-	-	2 160 239	2 160 239	
	2 296 992 992	-	2 296 992 992	1 664 045 484	(632 947 508)	

Total Assets

2 715 252 216	-	2 715 252 216	1 946 689 991	(768 562 225)	
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Liabilities

Current Liabilities

Borrowings	1 432 144	-	1 432 144	-	(1 432 144)	45
Finance lease obligation	-	-	-	3 046 172	3 046 172	
Payables from exchange transactions	94 367 224	-	94 367 224	142 230 779	47 863 555	
VAT payable	-	-	-	36 515 981	36 515 981	
Consumer deposits	-	-	-	15 930 957	15 930 957	
Employee benefit obligation	-	-	-	3 817 477	3 817 477	
Unspent conditional grants and receipts	-	-	-	2 900 000	2 900 000	
Deferred Income	-	-	-	29 062	29 062	
	95 799 368	-	95 799 368	204 470 428	108 671 060	

Non-Current Liabilities

Borrowings	132 036 016	-	132 036 016	-	(132 036 016)	
Finance lease obligation	-	-	-	696 532	696 532	
Employee benefit obligation	-	-	-	104 368 258	104 368 258	
Provisions	60 648	-	60 648	12 561 532	12 500 884	
	132 096 664	-	132 096 664	117 626 322	(14 470 342)	

Total Liabilities

227 896 032	-	227 896 032	322 096 750	94 200 718	
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Net Assets

2 487 356 184	-	2 487 356 184	1 624 593 241	(862 762 943)	
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Reserves

Accumulated surplus	2 487 356 184	-	2 487 356 184	1 624 593 241	(862 762 943)	
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MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property Rates	55 915 000	-	55 915 000	59 977 283	4 062 283	
Services Charges	327 450 610	-	327 450 610	260 375 933	(67 074 677)	
Grants	416 305 000	1 545 000	417 850 000	433 090 249	15 240 249	
Other receipts	119 779 187	37 331 000	157 110 187	78 396 719	(78 713 468)	
	919 449 797	38 876 000	958 325 797	831 840 184	(126 485 613)	
Payments						
Suppliers and employees	(722 908 671)	13 441 000	(709 467 671)	(694 178 762)	15 288 909	
Finance costs	(12 720 172)	-	(12 720 172)	(12 159 190)	560 982	
	(735 628 843)	13 441 000	(722 187 843)	(706 337 952)	15 849 891	
Net cash flows from operating activities	183 820 954	52 317 000	236 137 954	125 502 232	(110 635 722)	
Cash flows from investing activities						
Capital assets	(160 757 775)	-	(160 757 775)	(203 941 922)	(43 184 147)	
Cash flows from financing activities						
Repayment of borrowings	-	-	-	(1 677 214)	(1 677 214)	
Finance lease payments	-	-	-	(4 185 515)	(4 185 515)	
Net cash flows from financing activities	-	-	-	(5 862 729)	(5 862 729)	
Net increase/(decrease) in cash and cash equivalents	23 063 179	52 317 000	75 380 179	(84 302 419)	(159 682 598)	
Cash and cash equivalents at the beginning of the year	115 917 567	-	115 917 567	103 329 310	(12 588 257)	
Cash and cash equivalents at the end of the year	138 980 746	52 317 000	191 297 746	19 026 891	(172 270 855)	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Final budget council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018										
Financial Performance										
Property rates	55 915 328	-	55 915 328	-		55 915 328	60 193 333	4 278 005	108 %	108 %
Service charges	327 450 611	-	327 450 611	-		327 450 611	284 716 522	(42 734 089)	87 %	87 %
Investment revenue	5 330 636	-	5 330 636	-		5 330 636	9 338 780	4 008 144	175 %	175 %
Transfers recognised - operational	300 109 000	1 545 000	301 654 000	-		301 654 000	301 635 508	(18 492)	100 %	101 %
Other own revenue	114 448 551	37 331 000	151 779 551	-		151 779 551	74 365 602	(77 413 949)	49 %	65 %
Total revenue (excluding capital transfers and contributions)	803 254 126	38 876 000	842 130 126	-		842 130 126	730 249 745	(111 880 381)	87 %	91 %
Employee costs	(282 794 308)	15 000 000	(267 794 308)	-	-	(267 794 308)	(249 835 465)	17 958 843	93 %	88 %
Remuneration of councillors	(25 957 892)	-	(25 957 892)	-	-	(25 957 892)	(25 306 856)	651 036	97 %	97 %
Debt impairment	(10 000 000)	(54 139 113)	(64 139 113)			(64 139 113)	(133 905 056)	-	209 %	1 339 %
Depreciation and asset impairment	(95 872 478)	20 000 000	(75 872 478)			(75 872 478)	(76 668 489)	-	101 %	80 %
Finance charges	(12 720 172)	-	(12 720 172)	-	-	(12 720 172)	(12 159 191)	560 981	96 %	96 %
Materials and bulk purchases	(212 748 359)	7 000 000	(205 748 359)	-	-	(205 748 359)	(159 446 808)	46 301 551	77 %	75 %
Other expenditure	(201 408 113)	(35 440 539)	(236 848 652)	-	-	(236 848 652)	(288 037 895)	(51 189 243)	122 %	143 %
Total expenditure	(841 501 322)	(47 579 652)	(889 080 974)	-	-	(889 080 974)	(945 359 760)	(56 278 786)	106 %	112 %
Surplus/(Deficit)	(38 247 196)	(8 703 652)	(46 950 848)	-		(46 950 848)	(215 110 015)	(168 159 167)	458 %	562 %

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	141 372 767		141 372 767	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	(38 247 196)	(8 703 652)	(46 950 848)	-		(46 950 848)	(73 737 248)		(26 786 400)	157 %	193 %
Surplus/(Deficit) for the year	(38 247 196)	(8 703 652)	(46 950 848)	-		(46 950 848)	(73 737 248)		(26 786 400)	157 %	193 %

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Accounting Policies

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

1.1 Going concern assumption

These annual financial statements were prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Presentation currency

These annual financial statements are presented in South African Rand which is the functional currency of the municipality.

1.3 New standards and interpretations

Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 April 2018 or later periods:

- IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land (Effective Date: 01/04/2019)
- GRAP 12: (As amended 2016): Inventories (Effective Date: 01/04/2018)
- GRAP 16: (As amended 2016): Investment Property (Effective Date: 01/04/2018)
- GRAP 17: (As amended 2016): Property, Plant & Equipment (Effective Date: 01/04/2018)
- GRAP 21: (As amended 2016): Impairment of Non- cash- generating Assets (Effective Date: 01/04/2018)
- GRAP 26: (As amended 2016): Impairment of Cash- generating assets (Effective Date: 01/04/2018)
- GRAP 31: (As amended 2016): Intangible Assets (Effective Date: 01/04/2018)
- GRAP 103: (As amended 2016): Heritage assets (Effective Date: 01/04/2018)
- GRAP 20: (As amended 2016): Related Party Disclosures (Effective Date: 01 April 2019)
- GRAP 108: (As amended 2016): Statutory Receivables (Effective Date: 01 April 2019)
- IGRAP 19: (As amended 2016): Liability to pay levies (Effective Date: 01 April 2019)

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that other than additional disclosure, the impact of the standards on the financial statements will be minimal.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used for more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Initial measurement

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Accounting Policies

1.4 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement

The municipality will, after initial recognition, treat items of PPE in terms of the **cost model**, thus carried at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Useful lives

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land and Buildings		
• Land	Straight line	indefinite
• Buildings	Straight line	30 years
Other assets		
• Furniture and fittings	Straight line	7 - 10 years
• Air conditioners	Straight line	5 - 9 years
• Office machines	Straight line	3 - 7 years
• Computer hardwares	Straight line	5 - 6 years

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Accounting Policies

1.4 Property, plant and equipment (continued)

• Transport assets	Straight line	5 - 10 years
Infrastructure		
• Roads ,Bridges and Storm water	Straight line	3 - 100 years
• Pedestrian malls	Straight line	20 years
• Electricity	Straight line	20 - 60 years
• Security measures	Straight line	3 - 7 years
Community Assets		
• Buildings and other assets	Straight line	30 years
• Recreational facilities	Straight line	20 years
• Watercraft	Straight line	15 years
• Emergency equipments	Straight line	5 - 15 years
• Plant and equipments	Straight line	2 - 15 years
• Landfill sites	Straight line	5 - 10 years
• Bins and containers	Straight line	5 - 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets under construction

Assets under construction are stated at cost and not depreciated until the respective assets are completed and ready for use. Assets under construction are also assessed for impairment.

Impairment of non-cash generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. Non-cash-generating assets are assets other than cash-generating assets. Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or the number of production or similar units expected to be obtained from the asset by the municipality

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

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Accounting Policies

1.4 Property, plant and equipment (continued)

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.5 Intangible assets

An intangible asset is an identifiable non-monetary assets without physical substance.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are initially recognised at cost.

Intangible assets are carried subsequently at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	6 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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Accounting Policies

1.5 Intangible assets (continued)

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised. The gain or loss arising from the derecognition of an item of intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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Accounting Policies

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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Accounting Policies

1.6 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by the municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of the municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of the municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost

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Accounting Policies

1.6 Financial instruments (continued)

Receivables from Non - exchange transactions	Financial asset measured at amortised cost
Consumer Debtors - Exchange transactions	Financial asset measured at amortised cost
Consumer Debtors - Non - Exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Borrowings	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value, plus in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

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Accounting Policies

1.6 Financial instruments (continued)

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

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Accounting Policies

1.6 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The municipality assesses the financial assets for impairment individually, when assets are individually significant, or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment for impairment.

For collective assessments of impairment, assets with similar characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to contractual terms.

In making this assessment, management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the debtor;
- Delays in payments (including interest payments) or failure to pay / defaults;
- The probability that the borrower / debtor will enter sequestration (bankruptcy);
- Observable historical data indicating that there is a decrease in the estimated future cash flows that will be received by the municipality from a group of financial assets since the initial recognition of those assets;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with a provision factor of more than 10; and
- Accounts handed over for collection.

Management considers all the indicators above as guidance but only uses the indicators for which there is sufficient information to make the assessment for possible or actual impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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1.6 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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1.6 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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1.6 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.7 Significant judgements and sources of estimation uncertainty

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the municipality's accounting policies the following estimates, were made:

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

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1.7 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the management assumption may change which may then impact our estimate.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Other provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post retirement benefits

Post-employment benefits offered by the municipality take the form of defined benefit plans. The cost of defined benefit pension plans, other post employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18 - Employee benefit obligations.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of landfill site

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value at the prime interest rate, representing the time value of money.

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1.7 Significant judgements and sources of estimation uncertainty (continued)

Depreciation, amortisation, residual values and useful lives

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the how the condition and use of the asset informs the useful life and residual value management considers the impact of technology, industry norms and minimum service requirements of the assets.

Deferred income

Prepaid electricity liability portion is estimated based on the average unit sales and rate per unit as at 30 June 2018 and 30 June 2019 based on the Contour Prepaid Electricity vending system.

Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

Impairment of non financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

1.8 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

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Accounting Policies

1.8 Investment property (continued)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.9 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Grants are included in non-exchange transactions revenue.

1.10 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit or present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or the fair value of the asset can be measured reliably.

Heritage assets are measured at cost.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

The municipality assesses at each reporting date whether there is an indication that the heritage asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the heritage asset.

The municipality derecognises the heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The loss or gain arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the item is derecognised.

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Accounting Policies

1.11 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.12 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.13 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Value added tax

The municipality is registered for Value Added Tax (VAT) on the payment basis to SARS in accordance with the VAT Act no 89 of 1991. The annual financial statements have been prepared on the accrual basis of accounting. The municipality declares output tax and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

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Accounting Policies

1.15 Commitments

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments,
- where the expenditure has been approved and the contract has been awarded at the reporting date, and
- where disclosure is required by a specific standard of GRAP.

Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the municipality will discharge its responsibilities thereby incurring future expenditure that will result in an outflow of cash.

1.16 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of municipality, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

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1.17 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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Accounting Policies

1.18 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions and are subject to an insignificant risk of change in value. Short term investments of the municipality have 3 months maturity date.

1.19 Inventories

The municipality recognises inventories as an asset when:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the municipality;
- (b) the cost of the inventory can be measured reliably.

Initial recognition and measurement

Inventories, consisting of consumable stores, land inventories and raw materials are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date of acquisition.

Subsequent measurement

Consumable stores and raw materials are valued at the lower of cost and net realisable value unless they are distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is the weighted average cost method.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Differences arising on the valuation of inventory are recognised in surplus or deficit in the year in which they arose. The amount of any reversal of any write down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories. Such reversal is recognised in surplus or deficit in the period in which the reversal occurs.

Land inventory held by the municipality for the purpose of resale is carried at cost and accounted for as inventory.

Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised.

1.20 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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1.20 Transfer of functions between entities not under common control (continued)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- (a) identifying the acquirer;
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

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1.21 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

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1.21 Employee benefits (continued)

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans (Pension Fund)

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans (Medical Aid & Long Service Award)

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an entity (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

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1.21 Employee benefits (continued)

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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1.21 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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Accounting Policies

1.21 Employee benefits (continued)

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.22 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when a municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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Accounting Policies

1.22 Provisions and contingencies (continued)

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Provision for landfill site rehabilitation costs

The municipality has an obligation to dismantle, remove and restore items of property plant and equipment. The estimated cost to rehabilitate the landfill sites is performed by qualified engineers, using various assumptions. A provision is then made using those costs. The related cost is measured at cost:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and .

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Accounting Policies

1.23 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue from exchange transactions consists primarily of service charges, rentals, licences and permits, interest received and other income.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Interest earned

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Prepaid Electricity

Prepaid electricity liability portion is estimated based on the average unit sales and rate per unit as at 30 June 2018 and 30 June 2019 based on the Contour Prepaid Electricity vending system.

Service charges from sewerage and sanitation

Service charges from sewerage and sanitation are based on the extent of the ERF and of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to electricity

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Accounting Policies

1.23 Revenue from exchange transactions (continued)

Service charges relating to electricity are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Provisional estimates of consumption are made in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption. Revenue arising from the consumption of electricity in the month of June is fully accounted for whether invoiced or not. Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Refuse removal

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

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Accounting Policies

1.23 Revenue from exchange transactions (continued)

Service charges

Service charges are recognised on a monthly basis in arrears by applying the approved tariff and/or contract conditions. Tariffs are determined per category of property usage and are levied on a monthly basis.

Rental income

Rental income is recognised on an ad hoc basis through the renting of municipal facilities such as halls, sports grounds, lease of tents etc. and is charged using the relevant approved tariffs.

Licenses and permits

Revenue of specific licenses and permits is recognised on an ad hoc basis by applying tariffs determined and approved by the Department of Transport and adopted by the municipal council on a yearly basis.

Other Income

Other income included amongst others the following:

- Sale of bid documents;
- Advertising; and
- Sale of municipal land

1.24 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Revenue is recognised when fines or summons are issued. The amount due by a particular offender is specified on the notice, summons or equivalent document.

The entity issuing the traffic fine may indicate that reductions are available, subject to further processes being undertaken. Fines reductions are not within the Makhado Municipality's discretion, they are subject to a further judicial process which is outside the municipality's control then these reductions are not considered in measuring the asset (receivable) on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of the process.

Relevant disclosures should be made on the assumptions used to estimate revenue and any other relevant information. The municipality is able to reliably measure the fair value of fines issued. The value of the fine that can be imposed on the offender is usually stipulated in legislation, regulation or equivalent, and will vary depending on the nature and severity of the offence. The amount due by a particular offender is usually indicated on the notice, summons or similar document issued. In these instances, the asset (receivable) can be measured reliably. Makhado Local Municipality recognises revenue receivable through fines on the transaction date of the fines issued.

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Accounting Policies

1.24 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

The basis of a receivables recognised and the provision for the impairment of fines is based on the following assumptions and methodologies:

- Revenue receivables - Revenue is recognised on the transaction date of the tickets issued;
- Net receivables - Total tickets issued less payments made and that equals tickets outstanding and warrants;
- Provision of impairment losses - 50% of (Warrants & outstanding tickets of current year debt)
- **NB:-**
 - (i) Outstanding tickets refer to tickets which were issued, the court date on the ticket passed without the alleged offender attending and without any action taken by the court;
 - (ii) Withdrawals are tickets which the court has withdrawn and considers no action being taken;
 - (iii) Warrants are tickets wherein the court has issued warrants to arrest the offenders.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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1.24 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Government grants

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

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1.24 Revenue from non-exchange transactions (continued)

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a differential rating system i.e business, farming and residential properties. In terms of this system, assessment rates are levied on the market value in respect of properties. Rebates are granted according to the use of the property concerned.

1.25 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Certain comparative figures have been reclassified.

The nature and reasons for the reclassification and restatement are disclosed in note correction of prior period error to the financial statements.

1.28 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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1.28 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.30 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure incurred by a municipality that is not in accordance with or in contravention of:

- (a) the MFMA, and which has not been condoned in terms of Section 70;
- (b) the Municipal Systems Act, (Act 32 of 2000) and which has not been condoned in terms of that Act;
- (c) the Public Office-Bearers Act, (Act No.20 of 1998);
- (d) the requirements of a supply chain management policy of the municipality or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the municipal council must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
2. Inventories		
Land inventory	102 421 200	103 961 200
Consumable stores	15 533 179	13 682 222
	117 954 379	117 643 422
Land inventory		
Land inventory		
Opening balance	103 961 200	91 467 300
Land omitted from inventory valuation	-	17 561 000
Land erroneously included on inventory valuation	-	(4 072 100)
Land reclassified to PPE	-	(294 000)
Less: Sales	(1 540 000)	(185 000)
Less: Transfers to LIM 345	-	(260 000)
Land Disposal	-	(256 000)
	102 421 200	103 961 200
Inventory consumables		
Inventory consumables		
Opening balance	13 682 222	10 519 649
Add: Purchases	11 311 731	13 775 601
Less: Issues	(9 476 622)	(8 468 813)
Inventory adjustment for the year	15 847	(2 144 215)
	15 533 178	13 682 222
Inventory pledged as security		
No inventory was pledged as security for the current and previous year.		
3. Sundry Debtors		
Rental deposits	-	50 000
Other receivables	599 917	21 988 853
Third parties vending commission	-	183 143
Prepaid Meter Debtors	-	138 853
	599 917	22 360 849
Vhembe District Municipality		
Opening Balance	104 070 304	79 549 052
Current Year Accrual	21 863 263	24 521 252
Bad Debts Written Off	(32 094 494)	-
Total	93 839 073	104 070 304
Less: Allowance for impairment	(93 839 073)	(104 070 304)
	-	-
Reconciliation of provision for doubtful debts		
Opening balance	(104 070 304)	(79 549 052)
Current Year Movement	(21 863 263)	(24 521 252)
Bad Debts Written Off	32 094 494	-
	(93 839 073)	(104 070 304)

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4. Receivables from non-exchange transactions

Traffic fines	13 983 283	12 169 218
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Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security for overdraft facilities of the municipality.

Traffic fines

The impairment of the traffic fines is based on a management estimate determined by considering the collection rate of issued fines as well as the success rate of appeals on issued fines

Receivables from traffic fines were impaired during the year as follows:

Gross balance	23 280 766	18 594 966
Impairment	(9 297 483)	(6 425 748)
	13 983 283	12 169 218

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	6 425 748	3 666 048
Provision for impairment	2 871 735	2 759 700
	9 297 483	6 425 748

5. Consumer debtors

Gross balances

Rates	66 513 505	51 902 726
Electricity	104 365 899	58 701 860
Interest	60 062 603	27 880 873
Refuse	18 817 627	10 299 740
Sundries	14 533 446	9 903 010
Vat	15 421 413	7 829 353
Other	2 107 762	1 136 029
	281 822 255	167 653 591

Less: Allowance for impairment

Rates	(47 251 931)	(32 998 159)
Electricity	(50 164 504)	(37 320 839)
Interest	(28 869 686)	(17 775 465)
Refuse	(9 044 879)	(6 548 258)
Sundries	(6 985 645)	(6 296 030)
VAT	(7 412 455)	(4 977 662)
Other	(1 013 117)	(722 252)
	(150 742 217)	(106 638 665)

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5. Consumer debtors (continued)		
Net balance		
Rates	19 261 574	18 904 567
Electricity	54 201 396	21 381 021
Interest	31 192 917	10 105 408
Refuse	9 772 749	3 751 482
Sundries	7 547 800	3 606 980
VAT	8 008 956	2 851 691
Other	1 094 645	413 777
	131 080 037	61 014 926
Included in receivables from exchange transactions		
Electricity	54 201 396	21 381 021
Interest	31 192 917	10 105 408
Refuse	9 772 749	3 751 482
Sundries	7 547 800	3 606 980
Vat	8 008 956	2 851 691
Other	1 094 645	413 777
	111 818 463	42 110 359
Included in receivables from non-exchange transactions (taxes and transfers)		
Rates	19 261 574	18 904 567
Net balance	131 080 037	61 014 926
Rates		
Current (0 -30 days)	6 217 578	6 890 572
31 - 60 days	2 117 283	2 214 633
61 - 90 days	1 994 366	1 839 936
91 - 120 days	1 926 398	2 580 527
121 - 365 days	54 257 880	38 377 058
	66 513 505	51 902 726
Electricity		
Current (0 -30 days)	38 954 409	32 774 542
31 - 60 days	3 630 586	3 531 150
61 - 90 days	3 356 270	3 274 588
91 - 120 days	3 863 433	1 754 910
121 - 365 days	54 561 201	17 366 670
	104 365 899	58 701 860
Interest		
Current (0 -30 days)	4 408 166	2 462 306
31 - 60 days	2 082 239	1 120 648
61 - 90 days	2 011 078	1 096 191
91 - 120 days	1 944 730	1 146 331
121 - 365 days	49 616 391	24 155 397
	60 062 604	29 980 873

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5. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	1 536 869	950 377
31 - 60 days	473 279	333 807
61 - 90 days	455 991	305 289
91 - 120 days	443 511	300 253
121 - 365 days	15 907 977	8 410 014
	18 817 627	10 299 740
Sundries		
Current (0 -30 days)	1 362 965	2 616 629
31 - 60 days	369 161	394 592
61 - 90 days	420 189	210 615
91 - 120 days	340 961	178 923
121 - 365 days	12 040 169	6 502 251
	14 533 445	9 903 010
Vat		
Current (0 -30 days)	4 480 141	3 843 709
31 - 60 days	620 958	535 583
61 - 90 days	489 281	484 111
91 - 120 days	596 316	253 990
121 - 365 days	9 234 717	2 711 960
	15 421 413	7 829 353
Other		
Current (0 -30 days)	145 579	189 828
31 - 60 days	40 413	81 687
61 - 90 days	32 806	76 514
91 - 120 days	33 853	92 039
121 - 365 days	1 855 112	695 961
	2 107 763	1 136 029

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5. Consumer debtors (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	14 667 047	14 193 450
31 - 60 days	3 477 826	2 828 067
61 - 90 days	3 378 521	2 631 994
91 - 120 days	3 204 597	2 473 741
121 - 365 days	20 921 882	14 119 823
> 365 days	75 984 890	37 648 009
	121 634 763	73 895 084
Less: Allowance for impairment	(85 520 552)	(47 029 886)
	36 114 211	26 865 198
Industrial/Commercial		
Current (0 -30 days)	30 356 062	22 751 693
31 - 60 days	4 615 809	4 007 046
61 - 90 days	3 741 104	2 925 965
91 - 120 days	4 068 057	3 027 341
121 - 365 days	25 253 642	13 450 819
> 365 days	48 689 910	17 378 516
	116 724 584	63 541 380
Less: Allowance for impairment	(37 047 780)	(40 397 657)
	79 676 804	23 143 723
Agriculture		
Current (0 -30 days)	8 964 149	12 782 820
31 - 60 days	1 203 499	1 376 988
61 - 90 days	1 608 959	1 729 255
91 - 120 days	1 776 497	705 893
121 - 365 days	9 167 153	4 548 434
> 365 days	20 742 651	9 073 739
	43 462 908	30 217 129
Less: Allowance for impairment	(28 173 884)	(19 211 122)
	15 289 024	11 006 007
Total		
Current (0 -30 days)	53 987 259	49 727 963
31 - 60 days	9 297 133	8 212 100
61 - 90 days	8 728 584	7 287 213
91 - 120 days	9 049 152	6 206 974
121 - 365 days	55 342 676	32 119 076
> 365 days	145 417 450	64 100 264
	281 822 254	167 653 590
Less: Allowance for impairment	(150 742 217)	(106 638 665)
	131 080 037	61 014 925
Less: Allowance for impairment		
Current (0 -30 days)	(28 876 921)	(31 615 511)
31 - 60 days	(4 972 888)	(5 221 001)
61 - 90 days	(4 668 780)	(4 632 986)
91 - 120 days	(4 840 247)	(3 946 203)
121 - 365 days	(29 601 913)	(20 469 985)
> 365 days	(77 781 468)	(40 752 979)

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Figures in Rand	2018	2017
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5. Consumer debtors (continued)

<u>(150 742 217)</u>	<u>(106 638 665)</u>
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Reconciliation of provision for doubtful debts

Opening balance	106 589 003	82 433 054
Allowance for impairment	44 768 378	45 652 960
Amounts written off as uncollectible	(615 164)	(21 497 011)
	<u>150 742 217</u>	<u>106 589 003</u>

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 29).

Debtors are individually assessed annually at balance sheet date for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt older than 30 days, and considers past and current payment patterns.

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security during the current and prior year.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Primary bank account	18 178 125	9 994 289
Short-term deposits	823 566	93 212 776
Guarantee	-	97 045
Cash Float	10 200	10 200
Petty Cash	15 000	15 000
	<u>19 026 891</u>	<u>103 329 310</u>

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6. Cash and cash equivalents (continued)

The Municipality had the following bank accounts:

	Bank Statement Balance: 30 June 2018	Bank Statement Balance: 30 June 2017	Bank Statement Balance: 30 June 2016	Cash Book Balance: 30 June 2018	Cash Book Balance: 30 June 2017	Cash Book Balance: 30 June 2016
FNB BANK - Primary account - 623-0832-9988	20 191 898	9 994 289	34 595 388	18 178 125	9 994 289	31 056 601
FNB BANK - Investment account - 623- 0833-0779	20 351	20 205	20 005	20 351	20 205	20 005
FNB BANK - Investment account - 624- 0465-0435	703 738	677 186	649 951	703 738	677 186	649 951
FNB BANK - Call account - 624- 8284-3408	99 477	97 045	94 415	99 477	97 045	94 415
NEDBANK - Investment account 788-1085-81- 000020	-	-	20 106 849	-	-	20 106 849
NEDBANK - Investment account 788-1085-81- 000021	-	-	50 595 377	-	-	50 595 377
VBS MUTUAL BANK - Investment account	-	-	15 176 548	-	-	15 176 548
VBS MUTUAL BANK- I nvestment account- MAK01002957 0006	-	41 370 387	-	-	41 370 387	-
VBS MUTUAL BANKInvestme nt account- MAK01002957 0005	-	51 144 997	-	-	51 144 997	-
	21 015 464	103 304 109	121 238 533	19 001 691	103 304 109	117 699 746

VBS Mutual Bank Short Term Investments

Short term investment in VBS of R62,734,416 (2017: R92,515,384) has been impaired in full in terms of the Standard of GRAP on Financial Instruments. VBS Mutual Bank was placed under curatorship by the Reserve Bank of South Africa on 11 March 2018 following material irregularities and alleged fraud by those charged with governance of the bank. The bank failed to honor its obligations due to liquidity crisis. The probability of recovering the investment amount is remote.

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6. Cash and cash equivalents (continued)

Other Short Term Investments

Average rate of investments is 8.37 %. The municipality's investments are held with FNB Bank, amounting to R 823,566 (2017:R 697,392). The interest earned as at 30 June 2018 amounted to R 29,129.03 (2017: R 2,515,445) respectively. The Municipality has not provided bank guarantees.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral in the current financial year and previous years.

7. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	18 810 940	(3 996 429)	14 814 511	18 810 940	(3 610 712)	15 200 228

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	15 200 228	(385 717)	14 814 511

Reconciliation of investment property - 2017

	Opening balance	Disposals	Depreciation	Total
Investment property	15 633 066	(45 458)	(387 380)	15 200 228

Pledged as security

No investment property of the municipality was pledged as security.

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8. Property, plant and equipment

	2018		2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	238 053 833	-	238 053 833	238 053 833	-
Buildings	54 803 451	(24 006 157)	30 797 294	52 992 333	(22 731 471)
Machinery and equipments	29 588 405	(21 723 521)	7 864 884	31 224 175	(20 391 748)
Furniture and office equipments	12 318 683	(7 010 241)	5 308 442	12 075 022	(7 120 804)
Transport assets	48 135 975	(37 523 812)	10 612 163	47 109 381	(32 738 207)
Computer equipments	4 735 735	(3 077 014)	1 658 721	8 206 904	(6 157 121)
Infrastructure assets	2 161 244 168	(902 186 645)	1 259 057 523	2 108 687 822	(834 244 634)
Community assets	74 077 304	(22 787 683)	51 289 621	65 099 260	(20 864 850)
Library Books	2 416 848	(1 684 805)	732 043	2 320 584	(1 511 134)
Work In Progress	40 393 554	-	40 393 554	47 675 618	-
Total	2 665 767 956	(1 019 999 878)	1 645 768 078	2 613 444 932	(945 759 969)

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	ransfers to PPE	Disposals	Other changes, movements	Impairment loss	Depreciation	Total
Land	238 053 833	-	-	-	-	-	-	238 053 833
Buildings	30 260 862	1 932 188	-	(172)	-	-	(1 395 583)	30 797 295
Machinery and equipments	10 832 427	408 187	-	(58 715)	-	(670 246)	(2 646 768)	7 864 885
Furniture and office equipments	4 954 218	1 709 048	-	(6 881)	-	(114 299)	(1 233 643)	5 308 443
Transport assets	14 371 174	1 682 740	-	-	(3 758 565)	(847)	(5 440 904)	10 612 163
Library Books	809 450	109 736	-	(461)	-	(333)	(186 348)	732 044
Computer equipments	2 049 783	301 584	-	(921)	1 577 806	(14 219)	(677 506)	1 658 721
Infrastructure assets	1 274 443 188	52 556 344	-	-	-	(5 495 221)	(62 446 791)	1 259 057 520
Community assets	44 234 410	8 978 043	-	-	-	(4 195)	(1 918 637)	51 289 621
Work In Progress	47 675 618	51 826 435	(59 108 500)	-	-	-	-	40 393 553
	1 667 684 963	119 504 305	(59 108 500)	(67 150)	(2 180 759)	(6 299 360)	(75 946 180)	1 645 768 078

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfer LIM 345	Transfer to PPE	Disposals	Impairment loss	Depreciation	Total
Land	238 429 833	-	-	-	(376 000)	-	-	238 053 833
Buildings	39 479 110	866 837	(1 376 547)	-	(524 096)	(6 875 484)	(1 308 958)	30 260 862
Machinery and equipments	12 298 367	1 589 098	(358 131)	-	(31 398)	(142 344)	(2 523 165)	10 832 427
Furniture and office equipments	5 551 261	915 312	(165 521)	-	(84 121)	(62 492)	(1 200 221)	4 954 218
Transport assets	16 270 371	3 412 411	(175 820)	-	(122 466)	(176 184)	(4 837 138)	14 371 174
Library Books	885 720	86 600	-	-	-	-	(162 870)	809 450
Computer equipments	2 310 360	1 309 656	(30 967)	-	(670 458)	(51 491)	(817 317)	2 049 783
Infrastructure assets	1 304 591 685	64 462 912	(32 369 509)	-	-	(1 520 739)	(60 721 161)	1 274 443 188
Community assets	55 398 653	2 043 654	(9 042 370)	-	(1 324 034)	(1 122 772)	(1 718 721)	44 234 410
Work In Progress	57 146 602	65 971 827	(8 543 311)	(66 899 500)	-	-	-	47 675 618
	1 732 361 962	140 658 307	(52 062 176)	(66 899 500)	(3 132 573)	(9 951 506)	(73 289 551)	1 667 684 963

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other assets	Total
Opening balance	26 768 167	6 510 197	14 397 252	47 675 616
Additions/capital expenditure	49 193 729	2 137 814	494 893	51 826 436
Transferred to completed items	(36 534 868)	(8 648 011)	(13 925 621)	(59 108 500)
	39 427 028	-	966 524	40 393 552

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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	34 975 157	8 543 311	13 628 132	57 146 600
Additions/capital expenditure	54 855 923	9 371 024	1 744 880	65 971 827
Transferred to completed items	(63 062 913)	(2 860 827)	(975 760)	(66 899 500)
Transferred to LIM 345	-	(8 543 311)	-	(8 543 311)
	26 768 167	6 510 197	14 397 252	47 675 616

Impairment of Property, plant and equipment

At the reporting date all asset classes were assessed for impairment and the following classes of assets were impaired at reporting date and below are the asset categories that have been impaired by the following amounts:

	2018
Infrastructure assets	5 495 221
Machinery and equipment	670 246
Furniture and fittings	114 299
Computer assets	14 219
Transport assets	847
Library books	333
Community assets	4 195
	6 299 360

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Useful Lives

The useful lives of the assets have been reviewed to ensure that they more accurately reflect the actual expected life spans of the assets within the municipality. In all of the cases, the useful lives were not adjusted as they were found to be reasonable.

Property Register

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Pledged as security

No property, plant and equipment of the municipality were pledged as security.

9. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets (finite)	4 720 128	(3 417 472)	1 302 656	4 117 243	(3 080 881)	1 036 362

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9. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Intangible assets (finite)	1 036 363	602 884	(336 591)	1 302 656

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Intangible assets (finite)	1 224 211	244 434	(100 739)	(331 543)	1 036 363

Pledged as security

No intangible assets of the municipality were pledged as security.

Restricted title

There is no restriction on the title of Intangible Assets. Intangible Assets have finite useful lives and are amortized over the useful lives

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10. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	2 160 239	-	2 160 239	2 160 329	-	2 160 329

Reconciliation of heritage assets 2018

	Opening balance	Total
Heritage assets	2 160 329	2 160 329

Reconciliation of heritage assets 2017

	Opening balance	Total
Heritage assets	2 160 329	2 160 329

Pledged as security

No heritage assets of the municipality were pledged as security.

Expenditure incurred to repair and maintain heritage assets

In the current year, the municipality did not incur any expenditure to repair or maintain the heritage assets.

11. Borrowings

Amortised cost

Development Bank of South Africa (DBSA) 1 : Current portion The loan is unsecured, bears interest at 9.86% and repayable on 31 March 2018.	-	1 295 261
Development bank of South Africa (DBSA) 2 : Current portion The loan is unsecured, bears interest at 5% and repayable on 31 March 2018.	-	381 953
	-	1 677 214

Current liabilities

At amortised cost	-	1 677 214
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12. Finance lease obligation		
Minimum lease payments due		
- within one year	3 226 133	3 998 903
- in second to fifth year inclusive	748 178	2 664 999
	<u>3 974 311</u>	<u>6 663 902</u>
Less: future finance charges	(231 607)	(512 836)
Present value of minimum lease payments	<u>3 742 704</u>	<u>6 151 066</u>
Present value of minimum lease payments due		
- within one year	3 046 172	3 568 493
- in second to fifth year inclusive	696 532	2 582 573
	<u>3 742 704</u>	<u>6 151 066</u>
Non-current liabilities	696 532	2 582 573
Current liabilities	3 046 172	3 568 493
	<u>3 742 704</u>	<u>6 151 066</u>

It is municipality policy to lease certain motor vehicles and equipment under finance leases, denominated in the presentation currency (Rand).

The average lease term was 3-10 years and the average effective borrowing rate was 9.67% (2017: 9.5%).

Interest rates are linked to prime at the contract date while some increase by a fixed margin. Motor vehicle and photocopier leases have variable repayments. The repayments increase by an average of 10% per year over the period of the lease contract.

The municipality's obligations under finance leases are secured by the lessor's title to the leased assets.

Defaults and breaches

During the current year, there were no defaults or breaches of any finance leases agreements.

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand.

The fair value of finance lease liabilities approximates their carrying amounts.

13. Payables from exchange transactions

Salary Control	292 412	-
Accrued operating creditors	58 788 473	60 932 921
Retentions	21 479 228	17 280 342
Debtors with credit balances	17 279 058	16 619 998
Other creditors	14 624 078	8 865 100
Department of Labour	-	1 601 134
Provision for bonus: Section 57 Managers	871 318	464 902
Provision for leave pay	23 291 153	19 835 859
Provision for bonus: General Employees	5 605 059	4 970 137
	<u>142 230 779</u>	<u>130 570 393</u>

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13. Payables from exchange transactions (continued)

Fair value of payables from exchange transactions

Trade payables	142 230 779	130 570 393
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The carrying amount of payables from exchange transactions approximates their fair values.

14. VAT payable

VAT payables	36 515 981	21 612 467
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The municipality is registered for Value Added Tax (VAT) on the payment basis to SARS in accordance with the VAT Act no 89 of 1991. The municipality declares output tax and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

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15. Unspent conditional grants and receipts

Unspent grants are mainly attributed to projects that are work in progress in the relevant financial year-ends. The unspent grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	10 203 767
Municipal Demarcation Transition Grant	500 000	2 602 193
Electricity Efficiency Demand Side Management	-	12 066
Local Economic Development	2 400 000	-
	2 900 000	12 818 026

Movement during the year

Balance at the beginning of the year	12 818 026	51 471 564
Current year receipts	141 999 001	96 681 000
Conditions met - Transferred to revenue	(151 917 027)	(135 334 538)
	2 900 000	12 818 026

See note 23 for reconciliation of grants from National/Provincial Government.

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16. Consumer deposits		
Electricity	15 846 453	11 952 836
Housing rental	84 504	-
	15 930 957	11 952 836

During the financial period ended 30 June 2018, the municipality had guarantees in lieu of customers of R1 216 407 (2017: R1 223 843.97)

17. Deferred Income

The deferred income was estimated based on the average unit sales and rate per unit as at 30 June 2018 and 30 June 2019 based on the Contour Prepaid Electricity vending system.

Deferred Income	<u>29 062</u>	<u>99 165</u>
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18. Employee benefit obligations

Long Service Awards Obligation

The actuarial valuation of the long service award was performed by Chanan Weiss (Fellow of the Actuarial Society of South Africa), on behalf of ARCH Actuarial Consulting.

The long service bonus award provision consists of an obligation to pay out a bonus to qualifying employees in the year the employee attains the required service period. The obligation represents a liability to Makhado Local Municipality and the value is represented by the present value of the long service bonus awards expected to be paid in future. The valuation is thus an estimate of the cost of providing long service awards. The actual cost to the municipality will be dependent on the future levels of assumed variables and the demographic profile of the membership. The municipality is required to pay bonuses to its employees for every 5 years of service completed from 10 years to 45 years. This will be in the form of leave days accumulated, that will be encashed immediately.

Valuation assumptions made include Discount Rate of 8.45% (2017: 8.35%), Consumer Price Inflation of 6.09% (2017: 6.17%), Normal Salary Increase of 7% (2017: 7.36%) and Net Effective Discount Rate of 2.22% (2017: 2.05%), Mortality SA 85-90 (2017: SA 85-90)

	2018	2017
Total long service awards liability		
Opening balance	13 820 520	15 551 625
Current service cost	1 080 068	1 207 110
Interest cost	1 088 198	1 202 750
Actuarial gains/loss	(344 763)	(1 169 259)
Subtotal	15 644 023	16 792 226
Expected employer benefit vesting	(1 589 288)	(1 655 281)
Transfer to LIM 345	-	(1 316 425)
	14 054 735	13 820 520

Post retirement medical aid plan

The municipality operates an unfunded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth, Hosmed, LA Health and SAMWUMED medical aid schemes.

The municipality is committed to pay 70% of the members' post employment medical aid contributions up to an amount that is currently capped at R4,774 per month. Under the plan, dependents of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme subsidy were 382 in service members and 215 in service non- members.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 30 June 2018 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

	2018	2017
Total post-retirement health care benefits liability		
Opening balance	97 174 655	95 068 968
Current service cost	4 630 934	4 762 815
Interest cost	9 539 334	8 611 243
Actuarial gains/loss	(15 399 206)	(2 611 682)
Subtotal	95 945 717	105 831 344
Expected contributions (benefits paid)	(1 814 717)	(2 422 102)
Transfer to LIM 345	-	(6 234 587)
	94 131 000	97 174 655

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18. Employee benefit obligations (continued)		
Reconciliation and projection of the unfunded accrued liability		
Carrying value		
Opening balance	(110 995 175)	(110 620 593)
Current service cost	(5 711 002)	(5 969 925)
Interest cost	(10 627 532)	(9 813 993)
Expected employer benefit vesting	3 404 005	4 077 383
Actuarial (gain) / loss recognised in profit or loss	15 743 969	3 780 941
Transfer to LIM 345	-	7 551 012
	(108 185 735)	(110 995 175)
 Non-current liabilities	 (104 368 258)	 (107 619 136)
Current liabilities	(3 817 477)	(3 376 039)
	(108 185 735)	(110 995 175)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,70 %	9,90 %
Expected rate of return on reimbursement rights	2,07 %	1,58 %
Expected increase in salaries	7,00 %	7,36 %
Expected increase in healthcare costs	7,48 %	8,19 %

The salaries used in the valuation include an assumed increase on 01 July 2018 of 7% as per the SALGBC Circular No: 06/2018. The next salary increase was assumed to take place on 01 July 2019.

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19. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Unwind Interest	Total
Old Landfill Site [Permit Number: 16/2/7/A 700/D1/Z1/P256]	8 392 776	752 340	-	9 145 116
New Landfill Site [Permit Number:12/9/11/L413/6]	-	3 240 459	175 957	3 416 416
	8 392 776	3 992 799	175 957	12 561 532

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Old Landfill Site [Permit Number: 16/2/7/A 700/D1/Z1/P256]	6 941 741	1 451 035	8 392 776

Environmental rehabilitation provision

Long-term obligations comprising pollution control, rehabilitation and site closure result from environmental disturbances associated with the municipality's operations. Estimates are determined by independent environmental specialists in accordance with environmental regulations.

Restoration costs

Changes in the discounted amount of estimated restoration costs are charged to profit or loss during the period in which such changes occur. Estimated restoration costs are reviewed annually and discounted using a pre-tax risk-free rate that reflects market assessments of the value of money. The increase in restoration provisions owing to the passage of time is charged to finance costs. All other charges in the carrying amount of the provision subsequent to initial recognition are included in profit or loss in the period in which they are incurred.

Ongoing rehabilitation cost

The cost of ongoing current programmes to prevent and control pollution is recognised as an expense when incurred.

Critical accounting estimates and assumptions

The municipality's activities are subject to various laws and regulations governing the protection of the environment. The municipality recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred and actual timing thereof in future periods can differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of site estimates and discount rates can affect the carrying amount of this provision.

Estimated long-term environmental provisions, comprising pollution control, rehabilitation and landfill site closure, are based on the municipality's environmental policy taking into account current technological, environmental and regulatory requirements. Provisions for future rehabilitation costs have been determined, based on calculations which require the use of estimates.

Rehabilitation costs have been calculated as the present value of future obligation, discounted at an interest rate of 5.43%.The municipality has two landfill sites where it is required to rehabilitate the land at the end of their useful lives. The other landfill site has reached its useful life on 30 June 2017. The rehabilitation process on this landfill site has started. The new landfill site has been in operation from 01 July 2017.

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20. Service charges

Sale of electricity	275 869 027	273 349 161
Refuse removal	8 847 495	8 821 149
	284 716 522	282 170 310

The amount disclosed above for revenue from service charges is in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

21. Operational Revenue

Burial fees	114 243	89 973
Advertising	99 902	24 530
Employee benefit vesting	3 404 005	4 077 383
Trading licence	-	269 303
Land sales	2 782 665	6 694 127
Agency income - LIM345	3 294 834	11 287 832
Annual Show Revenue	413 763	553 411
Sundries	10 006 443	19 204 806
Actuarial income	15 743 969	3 780 941
Sale of tender documents	600 176	1 111 045
Building plans	184 414	163 710
	36 644 414	47 257 061

22. Property rates

Rates received

Residential	34 427 311	33 095 307
Commercial	17 291 300	18 071 963
State	8 474 722	7 811 468
	60 193 333	58 978 738

Valuations

Residential	4 893 229 807	4 561 928 898
Business	1 589 032 500	1 572 840 000
Agricultural	4 239 162 609	4 192 818 609
Municipal	175 400 000	177 449 000
Churches	102 758 000	102 793 000
Land reform beneficiaries	310 045 000	308 445 000
	11 309 627 916	10 916 274 507

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owner's accounts.

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23. Government grants and subsidies		
Operating grants		
Equitable share	294 080 066	290 605 000
Municipal Demarcation Transition Grant	2 384 193	4 111 807
Electricity Efficiency Demand Side Management	-	5 612 934
Expanded Public Works Programmes (EPWP)	2 048 000	1 281 000
Finance Management Grant (FMG)	1 700 000	1 625 000
Local Government Sector for Education and Training Authority	1 423 249	1 065 513
	301 635 508	304 301 254
Capital grants		
Municipal Infrastructure Grant (MIG)	116 372 767	106 613 797
Integrated National Electrification Programme (INEP)	25 000 000	16 000 000
	141 372 767	122 613 797
	443 008 275	426 915 051
Capital and Operational Grants Received		
Included in above are the following grants and subsidies received:		
Capital grants received	131 169 000	81 346 000
Operational grants received	8 430 000	15 245 000
Equitable Share received	294 079 000	290 605 000
	433 678 000	387 196 000
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The Equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
All registered indigents received a subsidy of R 2,441,497 (2017: R 9,888,851) which is funded from the grant during the year.		
Current-year receipts	292 068 000	260 000 000
Roll-over amounts declined-Deducted from Equitable Share (EEDSMG & MDTG)	2 011 000	-
Conditions met - transferred to revenue	(294 079 000)	(260 000 000)
	-	-
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	10 203 767	51 471 564
Current-year receipts	106 169 000	65 346 000
Conditions met - transferred to revenue	(116 372 767)	(106 613 797)
	-	10 203 767
The conditions of the grant were fully met - (see note 15).		
MIG Grant was used to accelerate the provision of basic service delivery through construction of capital projects.		
Integrated National Electricity Programme (INEP)		
Current-year receipts	25 000 000	16 000 000
Conditions met - transferred to revenue	(25 000 000)	(16 000 000)

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23. Government grants and subsidies (continued)

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The conditions of the grant were fully met. Conditions still to be met - (see note 15).

The purpose of this grant is to address electrification backlog of permanently occupied residential dwellings.

Expanded Public Works Grant (EPWP)

Current-year receipts	2 048 000	1 281 000
Conditions met - transferred to revenue	(2 048 000)	(1 281 000)
	-	-

The conditions of the grant were fully met - (see note 15).

The grant was received from the Department of Co-operative Governance and Traditional Affairs (CoGTA) and spent on employing casual workers within community based projects.

Financial Management Grant (FMG)

Current-year receipts	1 700 000	1 625 000
Conditions met - transferred to revenue	(1 700 000)	(1 625 000)
	-	-

The conditions of the grant were fully met - (see note 15).

FMG is used to promote and support reforms in the financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Municipal Demarcation Transitional Grant (MDTG)

Balance unspent at beginning of year	2 602 193	-
Current-year receipts	2 282 000	6 714 000
Conditions met - transferred to revenue	(2 384 193)	(4 111 807)
Amount Withheld	(2 000 000)	-
	500 000	2 602 193

Conditions still to be met - remain liabilities (see note 15).

The purpose of this grant is to subsidise the additional institutional and administrative costs arising from major boundary changes that came into effect after 2016 local government election. The grant only subsidises the additional administrative posts related to mergers (such as merging and changing administrative systems and cost related to changing staff).

Local Economic Development Grant (LED)

Current-year receipts	2 400 000	-
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The conditions of the grant were fully met - (see note 15).

The purpose of this grant is to encourage local economic development, by allowing local people to work together to achieve sustainable economic growth and development.

Energy Efficiency Demand Side Management Grant

Balance unspent at beginning of year	12 066	-
Current-year receipts	-	5 625 000

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23. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	-	(5 612 934)
Amount Withheld	(12 066)	-
	-	12 066
Local Government Sector for Education and Training Authority		
Current-year receipts	1 423 249	1 065 513
Conditions met - transferred to revenue	(1 423 249)	(1 065 513)
	-	-
The conditions of the grant were fully met- (see note 15).		
This grant is for in-service training.		
24. Revenue		
Fines, penalties and forfeits	5 819 498	6 658 994
Government grants & subsidies	443 008 275	426 915 051
Interest earned - outstanding receivables	15 960 410	12 088 573
Interest received - investment	9 338 780	9 729 198
Licences and permits	8 541 044	17 144 344
Other income	36 644 414	47 257 061
Property rates	60 193 333	58 978 738
Rental of facilities and equipment	7 400 236	368 210
Service charges	284 716 522	282 170 310
	871 622 512	861 310 479
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	284 716 522	282 170 310
Rental of facilities and equipment	7 400 236	368 210
Interest earned- outstanding receivables	15 960 410	12 088 573
Licences and permits	8 541 044	17 144 344
Other income	36 644 414	47 257 061
Interest received - investment	9 338 780	9 729 198
	362 601 406	368 757 696
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	60 193 333	58 978 738
Transfer revenue		
Government grants & subsidies	443 008 275	426 915 051
Fines, Penalties and Forfeits	5 819 498	6 658 994
	509 021 106	492 552 783

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25. Employee related costs		
Basic	142 278 146	143 370 631
Bonus	12 376 448	11 490 202
Medical aid - company contributions	15 393 300	14 006 434
UIF	1 058 861	1 140 130
Other payroll levies	59 645	60 341
Leave pay provision charge	4 046 977	3 599 273
Post employment benefits	29 324 875	29 199 327
Travel, motor car, accommodation, subsistence and other allowances	13 638 034	8 907 102
Overtime payments	18 515 077	20 513 797
Long-service awards	7 393 403	6 050 416
Acting allowances	1 964 500	3 365 152
Housing benefits and allowances	399 661	372 834
Standby allowance	2 007 308	2 612 976
Group life insurance	1 379 230	1 163 964
	249 835 465	245 852 579
Remuneration of municipal manager		
Annual Remuneration	538 491	986 872
Backpay	161 226	-
Car Allowance	9 941	364 076
Contributions to UIF, Medical and Pension Funds	118 790	274 101
Other	-	19 737
	828 448	1 644 786
Appointed 01 December 2017 and the employment is still subsisting.		
Remuneration of chief finance officer		
Annual Remuneration	472 316	706 285
Car Allowance	216 195	336 544
Contributions to UIF, Medical and Pension Funds	92 141	134 313
Other	5 805	54 497
	786 457	1 231 639
Appointed 01 October 2012 until 30 September 2017 whe the contract ended. The CFO was re-appointed on 01 December 2017 and resigned on the 30th of April 2018.		
Remuneration of director technical services		
Annual Remuneration	692 000	713 387
Car Allowance	259 840	266 948
Contributions to UIF, Medical and Pension Funds	98 516	101 659
Other	13 840	76 320
	1 064 196	1 158 314
Appointed from 01 September 2015 until 31 May 2018.		
Remuneration of director corporate services		
Annual Remuneration	696 565	657 757
Car Allowance	285 700	269 962
Contributions to UIF, Medical and Pension Funds	164 745	155 657
Other	13 931	75 207

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25. Employee related costs (continued)	1 160 941	1 158 583

Appointed from 01 August 2014 and the employment is still subsisting.

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25. Employee related costs (continued)		
Remuneration of director planning and development		
Annual Remuneration	696 565	657 757
Car Allowance	373 562	354 500
Contributions to UIF, Medical and Pension Funds	90 814	84 004
Other	-	62 052
	1 160 941	1 158 313
Appointed from 01 October 2014 and the employment is still subsisting.		
Remuneration of director community services		
Annual Remuneration	696 565	657 757
Car Allowance	309 838	294 893
Contributions to UIF, Medical and Pension Funds	140 608	130 456
Other	13 931	13 155
Bonus	-	82 737
	1 160 942	1 178 998
Appointed from 01 June 2014 and the employment is still subsisting.		
26. Remuneration of councillors		
Mayor	222 631	872 328
Speaker	1 297 993	644 271
Councillors	23 786 233	21 559 588
	25 306 857	23 076 187
27. Depreciation and amortisation		
Depreciation		
Property, plant and equipment	75 946 180	73 290 369
Investment properties	385 717	387 380
Intangible assets	336 592	331 543
Total depreciation and amortisation	76 668 489	74 009 292
28. Finance costs		
Trade and other payables	716 847	1 927 814
Finance leases	520 191	733 997
Interest Cost: Actuarial valuation	10 627 532	9 813 993
Interest Cost: Landfill site	175 957	-
Annuity Loans	118 664	248 325
	12 159 191	12 724 129
29. Provision for doubtful debts		
Consumer debtors	44 768 378	45 652 960
Traffic Fines	2 871 735	2 759 700
Vhembe debtor	21 863 263	24 521 252
VBS Investments	62 734 416	-
Other provisions	1 667 264	419 204
	133 905 056	73 353 116

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30. Bulk purchases		
Electricity	159 446 808	198 262 204
31. General expenses		
Cost of sales: Land	1 490 000	185 000
Advertising & publications	6 078 941	5 025 703
Bank charges	880 518	3 202 428
Consumables	11 444 708	14 629 253
Entertainment	161 813	-
Bush clearing	-	159 692
Insurance	2 826 028	3 188 184
Bursaries	535 372	507 651
IT expenses	296 672	332 301
Levies	2 269 188	3 796 512
Debt collectors commission	2 422 004	2 629 044
Ward committees allowances	5 320 881	4 141 788
Postage and courier	27 728	38 266
Royalties and license fees	336 983	451 462
Workmens compensation	1 925 491	2 033 474
Subscriptions and membership fees	3 052 872	2 899 017
Telephone and fax	3 866 291	4 468 492
Travel - local	4 755 250	4 548 646
Uniform expenses	1 293 775	1 175 451
Indigent policy	2 441 497	9 888 851
Special programmes	2 238 637	3 864 828
Other expenses	72 813	1 370 645
	53 737 462	68 536 688
32. Investment revenue		
Interest revenue		
Interest received from investments	5 945 895	6 751 793
Interest received from primary account	3 392 885	2 977 405
	9 338 780	9 729 198
33. Interest earned- outstanding receivables		
	15 960 409	12 088 573
	15 960 409	12 088 573

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34. Cash generated from operations		
Deficit	(73 737 248)	(65 697 590)
Adjustments for:		
Depreciation and amortisation	76 668 490	74 009 293
Impairment of non-cash generating assets	6 299 360	9 986 550
Gains/(losses) on sale of property, plant & equipment	256 000	10 666 869
Gains/(losses) on transfer	941 665	31 290 697
Gains/(losses): Actuarial valuation	(15 743 969)	(3 780 941)
Inventory write down	254 666	2 144 215
Interest on arrea accounts	(15 960 410)	(12 088 573)
Finance costs - Finance leases	520 191	733 997
Finance costs- trade & other payables	716 847	1 927 814
Interest Cost: Actuarial valuation	10 627 532	9 813 993
Interest Cost: Provision for rehabilitation	175 957	-
Interest Costs: Borrowings	118 664	248 325
Movement in retirement benefit assets & liabilities	2 809 440	374 582
Impairment of receivables	133 443 956	58 826 927
Increase/(decrease) in provision for employee costs	4 496 632	(1 675 321)
Increase/(decrease) in provision for landfill site	4 168 757	-
Changes in working capital:		
Inventories	(310 957)	(15 656 473)
Sundry Debtors	(24 573 336)	(17 965 215)
Receivables from non-exchange transactions	(1 814 065)	(8 503 170)
Consumer Debtors -Exchange transactions	232 747	(2 498 997)
Consumer Debtors -Non- Exchange transactions	(216 050)	1 293 758
Payables from exchange transactions	7 163 754	25 162 140
VAT	14 903 514	(3 574 771)
Unspent conditional grants and receipts	(9 918 026)	(38 653 538)
Consumer deposits	3 978 121	(2 678 896)
	125 502 232	53 705 675

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35. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure- roads	39 261 934	71 646 664
• Infrastructure-electricity	-	2 969 510
• Community assets	-	275 085
• Furniture & fittings	-	83 296
	39 261 934	74 974 555
Not yet contracted for and authorised by accounting officer		
• Infrastructure- roads	-	3 044 775
• Infrastructure-electricity	-	2 602 507
	-	5 647 282
Total capital commitments		
Already contracted for but not provided for	39 261 934	74 974 555
Not yet contracted for and authorised by accounting officer	-	5 647 282
	39 261 934	80 621 837
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational costs	47 770 257	829 000
Not yet contracted for and authorised by accounting officer		
• Operational costs	-	8 232 474
Total operational commitments		
Already contracted for but not provided for	47 770 257	829 000
Not yet contracted for and authorised by accounting officer	-	8 232 474
	47 770 257	9 061 474
Total commitments		
Total commitments		
Authorised capital expenditure	39 261 934	80 621 837
Authorised operational expenditure	47 770 257	9 061 474
	87 032 191	89 683 311

The commitments relate to plant and equipment and other operational costs. These commitments will be financed by available retained surpluses, internally generated funds and government grants.

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36. Contingencies

Litigations are in process against the municipality relating to a dispute with defendants in the following cases, should the judgement or ruling be in favour of the defendants the municipality will have to pay the estimated damages. No provision for the below mentioned claims has been made as the municipality is confident in defending the claim.

Contingent Liabilities

Dique Jan Arnold: The plaintiff claims damages for wrongful detention by municipality's traffic officers together with SAPS officer. [Case Number: 557/12]	60 350	60 350
Synergy Income Fund t/a Hubenyi Shopping Centre: Claim for damages being costs to unblock the shopping centre sewerage line to be in proper order and cleaning of the shopping centre due to the sewerage spillage into the shops and municipal area. [Case Number: 24096/13]	279 515	279 515
SGL Engineers CC Consulting: Outstanding payment for consultancy rendered during the construction of Mutsha Road [Case Number: 721/12 MAG. LTT]	66 463	66 463
Mudavhula N.E: Unlawful arrest and defamation of character. [Case Number: 1435/10]	100 000	100 000
Ntsumi and Spectrum Service Level Agreements: Cancellation of contract due to non compliance of regulation 32 of the supply chain management regulations.	5 350 000	5 350 000
Getrusburg CPA: Claim for compensation for extracting water without the consent of the land owner [Case Number: 55339/2011]	27 984 000	27 984 000
Matshavha Thapelo Jeffrey: Claim for damages due to pothole on a provincial road in Levubu area. [Case Number: 226/17]	1 550 000	1 550 000
Department of Water Affairs and Sanitation: The Municipality extract water from the Middle Letaba Waterval Bulk Supply Main (Majosi) without the consent of the Department as the water authority [Case Number: 3940/16]	16 423 262	16 423 262
Antoinette Albertus Geerdts: Claim for unlawful arrest and defamation of character. [Case Number: 71357/12]	680 000	680 000
I.P Mutshinyali settlement on resignation	-	1 389 571
Rambuda unpaid overtime	-	96 070
Transferred of Staff: LIM 345	-	457 222
	52 493 590	54 436 453

Contingent assets

Litigations is in process and the municipality is a plaintiff in the following cases, should the judgement or ruling be in favour of the municipality, the municipality will be entitled to receive the estimated value of the damages as indicated below:

Lufuno Maluleke & Her Four Companies [Case Number: 591/16 : 593/16:594/16: 595/16]	491 300	491 300
Maria Venter: Reconnection of electricity	-	22 636
Shumani Phathani General Dealer: Irregular payment to a service provider for the services for which they did not render.	-	216 500
	491 300	730 436

37. Prior-year adjustments

The comparatives have been restated to account for prior period errors. Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of financial position

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

2017

	Note	As previously reported	Correction of error	Reclassification	Restated
Current Assets					
Inventories		104 704 522	13 232 900	(294 000)	117 643 422
Sundry Debtors		22 861 251	(500 402)	-	22 360 849
Receivables from non-exchange transactions		12 280 933	(111 715)	-	12 169 218
Consumer Debtors- Exchange transactions		42 160 021	(49 662)	-	42 110 359
Non-current Assets					
Investment property		14 452 542	747 686	-	15 200 228
Property, plant & equipment		1 654 197 728	13 487 235	-	1 667 684 963
Intangible assets		2 021 728	(985 366)	-	1 036 362
Current Liabilities					
Finance Lease obligation		(3 356 340)	(212 153)	-	(3 568 493)
Payables from exchange transactions		(130 738 323)	167 930	-	(130 570 393)
VAT payable		(21 639 630)	27 163	-	(21 612 467)
Non-current liabilities					
Finance Lease obligation		(6 982 704)	4 400 131	-	(2 582 573)
		1 689 961 728	30 203 747	(294 000)	1 719 871 475

Statement of financial performance

2017

	Note	As previously reported	Correction of error	Reclassification	Restated
Revenue					
Service Charges		283 051 351	(881 041)	-	282 170 310
Licence & permits		17 648 309	-	(503 965)	17 144 344
Property rates		57 987 154	991 584	-	58 978 738
Fines, penalties and forfeits		6 770 709	(111 715)	-	6 658 994
Other Income		49 731 089	-	19 035 842	68 766 931
Expenditure					
Contracted services		-	-	(198 892 462)	(198 892 462)
Depreciation and amortisation		(106 033 588)	32 034 764	-	(73 998 824)
Impairment of assets		(11 692 271)	1 705 721	-	(9 986 550)
Finance costs		(13 340 572)	616 443	-	(12 724 129)
General expenditure		(155 860 129)	46 539	85 409 737	(70 403 853)
Debt Impairment		(48 782 216)	(24 570 900)	-	(73 353 116)
Repairs & maintenance		(37 548 014)	-	37 548 014	-
Loss on disposal		(10 410 869)	(256 000)	-	(10 666 869)
Deficit for the year		31 520 953	9 575 395	(57 402 834)	(16 306 486)

Errors

The following prior period errors adjustments occurred:

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Error 1

Land stock not previously recognised.

Land stock which was not previously recognised in prior periods has been taken up as land inventory.

Statement of Financial Position

Increase in land inventory	17 561 000
Increase in accumulated surplus	(17 561 000)
	-

Error 2

Land erroneously included in inventory.

Land inventory overstated due to inclusion of land that do not belong to the municipality.

Statement of Financial Position

Decrease in land inventory	(4 072 100)
Decrease in accumulated surplus	4 072 100
	-

Error 3

Finance Lease Liability and Right -of-use asset misstated.

Calculation of Right-of-use-asset and Finance lease liability done incorrectly in the previous years.

Financial Statement Areas

Decrease in Finance lease liability (SFP)	4 187 978
Increase in Furniture & fittings(Cost) (SFP)	62 092
Increase in Furniture & fittings depreciation(SCI)	13 939
Increase in Transport assets depreciation(SCI)	807 193
Increase in Furniture & fittings Accumulated depreciation(SFP)	(42 452)
Decrease in Transport assets(Cost) (SFP)	(699 923)
Increase in Transport assets Accumulated depreciation(SFP)	(1 492 179)
Decrease in Finance costs(SCI)	(509 760)
Increase in Accumulated surplus(SFP)	(2 326 888)
	-

Error 4

Debt impairment understated

Calculation for provision for bad debts in the previous year was understated.

Financial Statement Area

Increase in Debt impairment(SCI)	49 662
Increase in Provision for bad debts(SFP)	(49 662)
	-

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Error 5

Accruals & VAT payable misstated.

VAT input for the month of January 2017 tax period was incorrectly calculated and general expenses recorded in the wrong period.

Financial Statement Area

Decrease in VAT payable(SFP)	27 163
Increase in Accruals(SFP)	(27 163)
Decrease in Accruals(SFP)	46 539
Decrease in General expenses(SCI)	(46 539)
	<hr/>
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Error 6 Department

of Labour

The department of labour (workmen's compensation was overstated in the prior period. The provision that was used as the best estimate of the amount owed to Department of Labour had to be revised based on the statement from the creditor.

Financial Statement Area

Decrease in Payables & other transactions(SFP)	128 230
Decrease in General expenses: workmen's compensation(SCI)	(128 230)
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Error 7

Fines, penalties and forfeits.

Traffic fines revenue for 2016/17 was overstated due to amounts that were captured incorrectly on TCS System as compared to Traffic fine forms.

Financial Statement Area

Decrease in Fines, penalties and forfeits(SCI)	111 715
Decrease in Trade & Other Receivables from Non Exchange Transactions(SFP)	(111 715)
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Error 8

Other Debtors: LIM 345

During the previous financial year, amounts due to LIM 345 for revenue collected by Makhado Local Municipality on its behalf was overstated, as well as amounts which were due to the reporting municipality were understated in the previous financial year.

Financial Statement Area

Increase in Telephone expenses(SCI)	970 926
Increase in Contracted Services: Repairs Unspecified Assets(SCI)	607 435
Decrease in Other debtors(LIM 345)(SFP)	(500 402)
Increase in Property rates(SCI)	(991 584)
Increase in Other Creditors(LIM 345)(SFP)	(86 375)
	<hr/>
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Error 9

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Accrued Interest.

At the end of financial year 30 June 2017, interest on finance leases was accrued, which was realised in the current financial period.

Financial Statement Area

Decrease in Current liabilities(SFP)	106 683
Decrease in Interest costs(SCI)	(106 683)
	-

Error 10

Vhembe Debtor Provision.

During the financial year ended 30 June 2017, the provision for bad debts was omitted resulting in a net-off effect.

Financial Statement Area

Increase in provision for bad debts(SCI)	24 521 252
Increase in accumulated surplus(SCE)	(24 521 252)
	-

Error 11

Property, plant and equipment: Infrastructure Assets.

Recognition of depreciation for infrastructure assets, that was wrongly computed in the previous year.

Financial Statement Area

Increase in BUILDINGS- Depreciation Expense (SCI)	25 832
Increase in BUILDINGS- Accumulated Depreciation(SFP)	(25 832)
Increase in COMMUNITY ASSETS- Depreciation Expense (SCI)	18 216
Increase in COMMUNITY ASSETS- Accumulated Depreciation(SFP)	(18 216)
Increase in COMMUNITY ASSETS- Depreciation Expense (SCI)	25 425
Increase in COMMUNITY ASSETS- Accumulated Depreciation(SFP)	(25 425)
Increase in COMMUNITY ASSETS- Depreciation Expense (SCI)	271 501
Increase in COMMUNITY ASSETS- Accumulated Depreciation(SFP)	(271 501)
Increase in INVESTMENT PROPERTY- Depreciation Expense (SCI)	191 666
Increase in INVESTMENT PROPERTY- Accumulated Depreciation(SFP)	(191 666)
Increase in INFRASTRUCTURE ELECTRICITY- Depreciation Expense (SCI)	5 201
Increase in INFRASTRUCTURE ELECTRICITY- Accumulated Depreciation(SFP)	(5 201)
Increase in INFRASTRUCTURE ELECTRICITY- Depreciation Expense (SCI)	66 933
Increase in INFRASTRUCTURE ELECTRICITY- Accumulated Depreciation(SFP)	(66 933)
Decrease in INFRASTRUCTURE ROADS- Provision for Impairment (SFP)	4 570 665
Decrease in INFRASTRUCTURE ROADS- Impairment (SCI)	(1 705 720)
Increase in Opening Accumulated Surplus(SCE)	(2 864 945)
Increase in INFRASTRUCTURE ROADS- Depreciation Expense (SCI)	2 712
Increase in INFRASTRUCTURE ROADS- Accumulated Depreciation(SFP)	(2 712)
Increase in INFRASTRUCTURE ELECTRICITY- Depreciation Expense (SCI)	631 678
Increase in INFRASTRUCTURE ELECTRICITY- Accumulated Depreciation(SFP)	(631 678)
	-

Error 12

Property, plant and equipment: Movable Assets.

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Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Recognition of movable assets that were identified during physical verification exercise on the floor but which were not accounted for on the asset register in the prior year.

Financial Statement Area

Increase in Machinery And Equipment -Cost(SFP)	333 038
Increase in Furniture And Office Equipment -Cost(SFP)	662 860
Increase in Computer Equipment -Cost(SFP)	364 430
Increase in Community Assets -Cost(SFP)	123 304
Increase in Opening Accumulated Surplus(SCE)	(1 483 632)
Increase in Machinery And Equipment -Year to date Depreciation (SCI)	45 493
Increase in Machinery And Equipment -Accumulated Depreciation(SFP)	(45 493)
Increase in Furniture And Office Equipment -Year to date Depreciation (SCI)	82 132
Increase in Furniture And Office Equipment -Accumulated Depreciation(SFP)	(82 132)
Increase in Computer Equipment -Year to date Depreciation (SCI)	44 613
Increase in Computer Equipment -Accumulated Depreciation(SFP)	(44 613)
Increase in Community Assets -Year to date Depreciation (SCI)	17 614
Increase in Community Assets -Accumulated Depreciation(SFP)	(17 614)
	-

Error

13

Property, plant and equipment: Movable assets.

Prior year property, plant and equipment balances had material misstatements which were pervasive. There were differences between the asset register and the ledger. The Asset Management exercise was performed to come up with new asset register. The below adjustments were made to align the asset register with the system.

Financial Statement Area

Increase in Machinery And Equipment -Cost(SFP)	3 734 473
Increase in Furniture And Office Equipment -Cost(SFP)	605 345
Decrease in Transport Assets -Cost(SFP)	(597 205)
Decrease in Computer Equipment -Cost(SFP)	(764 091)
Decrease in Intangible Assets -Cost(SFP)	(1 542 660)
Increase in Opening Accumulated Surplus (SCE)	(1 435 862)
Increase in Machinery And Equipment -Accumulated Depreciation(SFP)	(2 942 389)
Increase in Furniture And Office Equipment -Accumulated Depreciation(SFP)	(677 916)
Decrease in Transport Assets -Accumulated Depreciation(SFP)	1 516 138
Decrease in Computer Equipment -Accumulated Depreciation(SFP)	113 721
Decrease in Intangible Assets -Accumulated Depreciation(SFP)	454 460
Decrease in Opening Accumulated Surplus(SCE)	1 535 986
Increase in Intangible Assets(SFP)	113 302
Increase in Accumulated Surplus(SCE)	(113 302)
Increase in Amortisation(SCI)	10 468
Increase in Accumulated depreciation(SFP)	(10 468)
	-

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Error 14

Property, plant and equipment: Infrastructure assets.

Prior year property, plant and equipment balances had material misstatements which were pervasive. There were differences between the asset register and the ledger. The Asset Management exercise was performed to come up with new asset register. The below adjustments were made to align the asset register with the system.

Financial Statement Area

Increase in Infrastructure - Cost(SFP)	19 721 103
Decrease in Opening Accumulated Surplus(SCE)	11 979 914
Increase in Investment Property - Cost(SFP)	6 487 334
Decrease in Buildings - Cost(SFP)	(32 632 401)
Decrease in Community Assets - Cost(SFP)	(5 555 950)
Decrease in Buildings - Acc Depreciation(SFP)	14 656 923
Decrease in Infrastructure - Acc Depreciation(SFP)	30 356 830
Decrease in Community Assets - Acc Depreciation(SFP)	1 588 238
Decrease in Investment Property - Acc Depreciation(SFP)	200 967
Increase in Opening Accumulated Surplus(SCE)	(46 802 958)
	-

Error 15

Work In Progress

Project costs for prior year relating to provincial roads were not expensed.

Financial Statement Area

Increase in Expenditure(Non- asset items)(SCI)	56 833 743
Decrease in Work In Progress(SFP)	(56 833 743)
	-

Error 16

Loss on sale of land inventory.

Land inventory was auctioned in the prior year but was not recognised.

Statement of Financial Position

Increase in loss on disposal of assets(SCI)	256 000
Decrease in Land inventory(SFP)	(256 000)
	-

Reclassifications

The following reclassifications were made in terms of both GRAP and Mscoa, in the previous financial year:

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Financial Statement Area

Increase in Contracted Services(SCI)	9 918 291
Decrease in General Expenses (Legal fees)(SCI)	(9 918 291)
Increase in Contracted Services(Infrastructure & Planning)(SCI)	432 000
Decrease in General Expenses(Formalisation of sites)(SCI)	(432 000)
Increase in Contracted Services(Cleaning Services)(SCI)	332 640
Decrease in General Expenses (Cleaning Services)(SCI)	(332 640)
Increase in Contracted Services(Security Costs)(SCI)	16 242 189
Decrease in General Expenses (Security Costs)(SCI)	(16 242 189)
Increase in Contracted Services-Consultants & Professional fees(Business Advisory)(SCI)	18 548 831
Decrease in General Expenses (Consultants & Professional fees)(SCI)	(18 548 831)
Increase in nContracted Services(Maintenance of Buildings & Facilities)(SCI)	1 929 506
Decrease in Repairs & Maintenance(SCI)	(1 929 506)
Increase in Contracted Services(Maintenance of Equipment)(SCI)	7 841 703
Decrease in Repairs & Maintenance(SCI)	(7 841 703)
Increase in Contracted Services(Maintenance of Unspecified Assets)(SCI)	23 519 008
Decrease in Repairs & Maintenance(SCI)	(23 519 008)
Increase in Contracted Services(Meter Management)(SCI)	1 788 485
Decrease in General Expenses (Meter Reading)(SCI)	(1 788 485)
Increase in Contracted Services(Medical Health Services & Support)(SCI)	1 131 486
Decrease in General Expenses (Subscriptions & publications)(SCI)	(1 131 486)
Increase in Contracted Services(Employee Wellness)(SCI)	1 538 568
Decrease in General Expenses (Training)(SCI)	(1 538 568)
Increase in Contracted Services- Outsourced services(Business Advisory)(SCI)	22 807
Decrease in General Expenses (Municipal Bylaws)(SCI)	(22 807)
Increase in Contracted Services- Outsourced services(Business Advisory)(SCI)	8 464
Decrease in General Expenses (Consultants & Professional fees)(SCI)	(8 464)
Increase in Contracted Services- Outsourced services(Business Advisory)(SCI)	1 965 383
Decrease in General Expenses (Other expenses)(SCI)	(1 965 383)
Increase in Contracted Services- Outsourced services(Business Advisory)(SCI)	4 078 475
Decrease in General Expenses (Expanded Public Works)(SCI)	(4 078 475)
Increase in Contracted Services- Outsourced services(Business Advisory)(SCI)	1 220 000
Decrease in General Expenses (Consultants & Professional fees)(SCI)	(1 220 000)
Increase in Contracted Services-Consultants & Professional fees(Business Advisory)(SCI)	97 434
Decrease in General Expenses (Compulation of municipal valuation roll)(SCI)	(97 434)
Increase in Contracted Services- Outsourced services(Business Advisory)(SCI)	3 954 638
Decrease in General Expenses (External Audit Fees)(SCI)	(3 954 638)
Increase in Contracted Services- Outsourced services(Internal Audit)(SCI)	1 760 011
Decrease in General Expenses (Internal Audit Fees)(SCI)	(1 760 011)
Increase in Contracted Services-Consultants & Professional fees(Business Advisory)(SCI)	443 333
Decrease in General Expenses (Environmental management)(SCI)	(443 333)
Increase in General Expenses (Special Programmes)(SCI)	2 843 075
Decrease in General Expenses (Other expenses-Registration fees)(SCI)	(148 219)
Decrease in General Expenses (IDP Representation forums)(SCI)	(230 348)
Decrease in General Expenses (Training)(SCI)	(732 625)
Decrease in Repairs & Maintenance(SCI)	(1 731 882)
Increase in Repairs & Maintenance(SCI)	333 786
Decrease in Contracted Services(Maintenance of Equipment)(SCI)	(333 786)
Increase in Contracted Services(Maintenance of Unspecified Assets)(SCI)	2 527 058
Decrease in Repairs & Maintenance(SCI)	(2 527 058)
Decrease in Revenue: Non-exchange Revenue: Licence & Permits(SCI)	503 965
Increase in Revenue:Exchange Revenue:Operational Revenue(SCI)	(503 965)
Increase in General Expenses (Special Programmes)(SCI)	49 445
Increase in Revenue:Exchange Revenue:Operational Revenue(SCI)	(49 445)
Increase in Service Charges: Expenditure: Operational Cost: Municipal Services (Sale of Electricity)(SCI)	757 401
Decrease in General Expenses: Assessment rates & municipal charges:Expenditure: Operational Cost: Municipal Services(SCI)	(757 401)

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Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Increase in General Expenses: Consumables(SCI)	10 877
Decrease in General Expenses: Assessment rates & municipal charges: Expenditure: Inventory Consumed: Materials(SCI)	(10 877)
Increase in Service Charges: Expenditure: Operational Cost: Municipal Services (Sale of Electricity)(SCI)	123 638
Decrease in General Expenses: Local Economic Dev:Expenditure: Operational Cost: Municipal Services(SCI)	(123 638)
Increase in Contracted Services(Infrastructure & Planning)(SCI)	23 952
Decrease in General Expenses: Township Establishment(SCI)	(23 952)
Increase in General Expenses: Consumables(SCI)	9 538 782
Decrease in Chemicals(SCI)	(56 600)
Decrease in Expenditure: Inventory Consumed: Materials and Sup(SCI)	(9 437 829)
Decrease in Expenditure: Inventory Consumed: Materials and Sup(SCI)	(44 353)
Increase in General Expenses: Consumables(SCI)	3 353 320
Decrease in Expenditure: Inventory Consumed: Materials and Supplies(SCI)	(3 353 320)
Increase in Expenditure: Contracted Services: Contractors: Employee Wellness(SCI)	1 123 805
Decrease in Expenditure: Contracted Services: Contractors: Emp(SCI)	(1 123 805)
Increase in Expenditure: Contracted Services: Contractors: Maintenance of Unspecified Assets(SCI)	1 170 414
Decrease in General Expenses: Dumping Site(SCI)	(1 170 415)
Increase in Expenditure: Contracted Services: Contractors: Maintenance of Unspecified Assets(SCI)	201 827
Decrease in General Expenses (Consultants & Professional fees)(SCI)	(201 827)
Increase in General Expenses (Advertising & publications)(SCI)	4 623 477
Decrease in General Expenses (Subscriptions & publications)(SCI)	(4 623 477)
Increase in Expenditure: Contracted Services: Contractors: Maintenance of Unspecified Assets(SCI)	39 964 750
Decrease in General Expenses (Non-asset items)(SCI)	(39 964 750)
Increase in PPE (land) (SFP)	294 000
Decrease in land inventory(SFP)	(294 000)
Increase in Acting Allowance(SCI)	3 365 152
Decrease in Basic Salary(SCI)	(3 365 152)
Decrease in Operational Revenue(SCI)	21 509 870
Decrease in Operational Expenditure(SCI)	(21 509 870)
	-

38. Risk management

General Objectives, Policies and Processes

The municipality's activities expose it to a variety of financial risks namely market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Council has the overall responsibility for the determination of the municipality's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Accounting Officer. The Accounting Officer receives regular reports from the Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The municipality's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee. The overall objective of Council is to set policies that seek to reduce risks as far as possible without unduly affecting the Municipality's competitiveness and flexibility.

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

38. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient investment in cash to ensure that funding is available to settle liabilities as they become available.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequately utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and financial assets into relevant maturity groupings based on the remaining period at the statement of financial position.

There have been no changes in liquidity risk exposure by the municipality from previous year.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Finance lease liability	(3 046 172)	-	(696 532)
Payables from exchange transactions	(142 230 779)	-	-
Consumer deposits	(15 930 957)	-	-
Employee benefit obligation	(3 817 477)	-	(104 368 258)
Deferred Income	(29 062)	-	-
Receivables from non-exchange transactions	13 983 283	-	-
Consumer Debtors-Exchange transactions	111 818 463	-	-
Consumer Debtors-Non-exchange transactions	19 261 574	-	-
Sundry Debtors	599 917	-	-
Cash and cash equivalents	19 026 891	-	-
At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	(1 677 214)	-	-
Finance lease liability	(3 568 493)	-	(2 582 573)
Payables from exchange transactions	(130 570 393)	-	-
Consumer deposits	(11 952 836)	-	-
Employee benefit obligation	(3 376 039)	-	(107 619 136)
Deferred Income	(99 165)	-	-
Receivables from non-exchange transactions	12 169 218	-	-
Consumer Debtors-Exchange transactions	42 110 359	-	-
Consumer Debtors-Non-exchange transactions	18 904 567	-	-
Sundry Debtors	22 360 849	-	-
Cash and cash equivalents	103 329 310	-	-

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

38. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

This risk arises due to changes in the financial circumstances of the counter party and other factors subsequent to the municipality obtaining the financial asset.

Sundry debtors, receivables from non-exchange transactions, consumer debtors and consumer deposits comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

There have been no material change in credit risk exposure by the municipality from the previous year.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Sundry Debtors	599 917	22 360 849
Receivables from non-exchange transactions	13 983 283	12 169 218
Consumer debtors -exchange transactions	111 818 463	42 110 359
Consumer debtors -Non-exchange transactions	19 261 574	18 904 567
Cash and cash equivalents	19 026 891	103 329 310

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality charge the interest rate of 15% on the outstanding customer accounts.

For quantitative information on cash flow interest rate risk refer to liquidity risk above.

39. Fruitless and wasteful expenditure

Opening balance	2 158	6 645 279
Add: Fruitless and wasteful expenditure - current year	606 305	609 247
Less: Amounts condoned/Write off	(603 474)	(7 252 368)
	4 989	2 158

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Notes to the Annual Financial Statements

40. Additional disclosure in terms of Municipal Finance Management Act

Subscription fees

Current year subscription / fee	3 052 872	2 899 017
Amount paid - current year	(3 052 872)	(2 899 017)
	-	-

Distribution Losses

Kilowatts Hours

Units Purchased	236 275 148	232 509 907
Units Sold	(214 058 896)	(207 524 550)
	22 216 252	24 985 357

Rand Values

Electricity	20 661 114	23 236 382
-------------	------------	------------

Distribution losses for electricity relates to unaccounted for electricity. This mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. During the year 22 216 252 (2017: 24 985 357) kilowatts per hour were lost. This represented 9.4% (2017: 10.75%) of the electricity purchases for the year, which has been included in bulk purchases. An average price per kilowatt hour of R0,93 (2017: R0,93) was used.

Audit fees

Current year amount	6 284 338	3 954 638
Amount paid - current year	(6 284 338)	(3 954 638)
	-	-

PAYE and UIF

Current year amount	40 199 356	36 713 626
Amount paid - current year	(40 199 356)	(36 713 626)
	-	-

Pension and Medical Aid Deductions

Current year amount	46 669 707	43 205 761
Amount paid - current year	(46 669 707)	(43 205 761)
	-	-

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

40. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding as at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Babadu T.M	278	3 172	3 450
Jones NB	55	1 038	1 093
Matumba A	204	1 067	1 271
Matumba A	584	4 651	5 235
Matumba A	718	4 971	5 689
Simangwe NJ	735	3 745	4 480
	2 574	18 644	21 218
30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Babadu T.M	278	2 101	2 379
Babadu T.M	443	1 267	1 710
Jones N.B	-	2 480	2 480
Mutamba A	225	269	494
Mutamba A	655	2 340	2 995
Simangwe N.J	958	4 179	5 137
	2 559	12 636	15 195

During the year the following councillors had arrear accounts outstanding for more than 90 days.

30 June 2018	Highest outstanding amount	Aging (in days)
Babadu T.M	3 172	90
Jones NB	1 038	90
Matumba A	1 067	90
Matumba A	4 651	90
Matumba A	4 971	90
Simangwe NJ	3 745	90
	18 644	540
30 June 2017	Highest outstanding amount	Aging (in days)
Babadu T.M	3 368	90
Jones N.B	2 480	90
Mutamba A	2 609	90
Simangwe N.J	4 179	90
	12 636	360

41. Events after the reporting date

There were no material matters or circumstances subsequent to balance sheet date.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

42. Irregular expenditure

Opening balance	10 178 074	37 670 469
Add: Prior year irregular expenditure identified in the current year	2 353 625	-
Add: Irregular expenditure - current year	31 158 043	74 511 293
Less: Written-off by Council	(40 518 057)	(102 003 688)
	3 171 685	10 178 074

43. Unauthorised expenditure

Opening balance	34 901 850	22 992 036
Add: Unauthorised expenditure - current year	164 328 776	34 901 850
Less: Written-off by Council	-	(22 992 036)
	199 230 626	34 901 850

44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The following is the quotation and tender deviation for the year as approved by the Accounting Officer. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Quotation deviations for the 2017/2018 financial year in terms of the Supply Chain Management Regulations amounted to R 5 308 060.

Quarter	Amount
Quarter 1	1 919 286
Quarter 2	1 527 676
Quarter 3	225 952
Quarter 4	1 568 798
	5 241 712

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

45. Detailed explanation of variances between actual and budgeted amounts 30 June 2018

	Current year actuals	Current year final budget	Variance	% variance	Explanations of material variances above 10%
Property rates	60 193 333	55 915 328	4 278 005	7 %	The property rates revenue was collected than budgeted due to increase in property values.
Service charges	284 716 522	327 450 611	(42 734 089)	13 %	Service charges were collected than budgeted due to individual customers who normally fail to settle their accounts.
Government grants and subsidies	443 008 275	301 654 000	141 354 275	32 %	The actual grants received were higher than budgeted due to additional allocations.
Rental of facilities and equipments	7 400 236	502 356	6 897 880	93 %	The municipality collected rental of facilities revenue higher than expected due to more customers using the facilities than expected.
Interest received-outstanding receivables	15 960 410	13 726 379	2 234 031	14 %	Customers are failing to settle their accounts in time resulting in higher accrued interest than budgeted.
Licences and permits	8 541 044	12 567 466	(8 006 860)	47 %	Licencing income collected was less than budgeted amount due to less licences being issued in the current year.
Operational revenue	36 644 414	67 918 351	(8 176 701)	85 %	The actual amount is due to the agency revenue that was less than the budgeted amount.
Interest earned-external investment	9 338 780	5 330 636	4 008 144	43 %	More investments were made during the year, hence the actual investment income was more than the budgeted investment income.
Fines, Penalties and Forfeits	5 819 498	1 888 631	3 930 867	68 %	Actual fines collected was higher than budgeted amount due to more fines issued in the current year.
Total revenue	<u>871 622 512</u>	<u>786 953 758</u>	<u>103 785 552</u>		
Employee related costs	(264 944 053)	(267 794 308)	2 850 255	1 %	The actual amount was less than the budgeted amount due to reduction in overtime,
Remuneration of councillors	(25 306 856)	(25 957 892)	651 036	3 %	The actual amount is less than the budgeted amount. This is due to salary increases from SALGA that did not affect all councillors.
Depreciation & impairment	(82 966 804)	(75 872 478)	(6 925 117)	8 %	The actual amount is more than the budgeted due to additions to capital assets during the year.
Finance costs	(12 159 191)	(12 720 172)	560 981	5 %	Finance costs decreased than budgeted due to timeous payments of third party payments & creditors.

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

45. Detailed explanation of variances between actual and budgeted amounts 30 June 2018 (continued)

Debt impairment	(133 905 056)	(64 139 113)	(67 287 345)	51 %	The increase is due to non settlement of consumer accounts. This increase is also due to the impairment of VBS short term investments during the year.
Bulk purchases	(159 446 808)	(205 748 359)	46 301 551	23 %	The budgeted tariffs for electricity was increased to cover seasonal fluctuations & winter times, however expenditure incurred was minimised.
General expenses/(Contracted Services)	(284 806 124)	(160 867 572)	(123 938 552)	44 %	General expenditure incurred was more than budgeted due to increases in CPI indices and interest rates.
Loss on disposal of assets	941 665	-	-	- %	This amount was not budgeted for in the current financial year.
Total expenditure	(961 828 750)	(813 099 894)	(44 001 639)	- %	
	Current year actuals	Current year final budget	Variance	% variance	Explanations of material variances above 10%
Inventories	117 954 379	119 069 048	(1 114 669)	1 %	
Consumer debtors	131 080 037	57 500 688	73 579 350	127 %	Actual consumer debtors were more than the budgeted balance due to less impairment being made in the current year in comparison to the budget.
Cash and cash equivalents	19 026 891	130 412 112	(111 385 221)	100 %	The decrease in cash & cash equivalents was due to VBS short term investments which was impaired during the year.
Investment property	14 814 511	28 930 160	(13 965 480)	93 %	The carrying value of the investment property is less than the budgeted balance due to various items of investment property being impaired.
Property plant and equipment	1 645 768 078	2 266 837 104	(621 069 026)	27 %	The actual carrying value is less than the budgeted amount due to revised useful lives during Asset Management exercise.
Intangible assets	1 302 656	1 225 728	(6 867)	1 %	The carrying value was less than the budgeted amount due to amortisation.
Borrowings	-	(1 432 144)	-	- %	The borrowings were fully paid up during the year.
Payables from exchange transactions	(142 230 779)	(94 367 224)	(47 863 555)	34 %	The actual balance is more than the budgeted balance due to outstanding payables at year end.
Borrowings	-	132 036 016	-	- %	The borrowings were fully paid up during the year.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

45. Detailed explanation of variances between actual and budgeted amounts 30 June 2018 (continued)

Provision	-	60 648	-	- %	The actual balance is less than the budgeted amount. The budgeted amount includes also the provision for impairment hence a negative variance.
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46. Related parties

Makhado Local Municipality, is a category B municipality which in terms of the Constitution of South Africa, section 155 (1) (b) means, "A Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls. "Vhembe District Municipality".

Makhado Local Municipality is performing agency services on behalf of Vhembe District Municipality.

Council does not have any associates nor any joint ventures or any other form of association that may be defined as related parties.

Relationships

Members of key management

Refer to note 25

Remuneration of councillors

Refer to note 26

Vhembe District Municipality

Water Services

Makhado Local Municipality is involved in an Agency relationship with Vhembe District Municipality.

The municipality runs billing services for water consumption on behalf of Vhembe District Municipality. Expenditure of water related services was subsequently impaired by council. Refer to note general expenditure disclosure.

Related party balances

Amounts Owning by related parties

Vhembe District Municipality	93 839 073	104 070 304
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47. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

48. Impairment of assets

Impairments

Property, plant and equipment

6 298 315

9 951 506

Trade and other receivables

-

35 044

Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]

6 298 315

9 986 550

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

49. Contracted services

Outsourced Services

Business and Advisory	18 853 647	11 249 769
Cleaning Services	870 440	332 640
Internal Auditors	736 581	1 760 012
Meter Management	2 322 764	1 788 486
Medical Services [Medical Health Services & Support	1 158 239	1 131 486
Security Services	15 728 555	16 242 190

Consultants and Professional Services

Business and Advisory	26 743 434	19 089 599
Infrastructure and Planning	5 110 265	455 952
Legal Cost	7 325 830	9 918 292

Contractors

Employee Wellness	3 191 082	2 662 374
Maintenance of Buildings and Facilities	1 832 313	1 929 507
Maintenance of Equipment	8 114 671	7 507 918
Maintenance of Unspecified Assets	135 072 632	120 720 800
	227 060 453	194 789 025

50. Key Assumptions and Estimates Used

The key assumptions and estimates used are as follows: (1) Long Service Award: A number of valuation variables were used. Should these valuation assumptions be different from the actual variables, the provision for Long Service Award may be different from the one disclosed. (2) Post Retirement Medical Aid Benefit Obligation: By its nature, estimating the Post Retirement Medical Aid Benefit requires use of estimates and significant judgement. This was the case in the computation of the relevant obligation.

MAKHADO LOCAL MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2018

	Loan Number	Amount	Balance at 30 June 2017	Interest paid	Redeemed written off during the period	Balance at 30 June 2018	Current portion	Long term portion
			Rand	Rand	Rand	Rand	Rand	Rand
Annuity Loans								
Development Bank of South Africa 1	61000712	7,000,000	1 295 261	100 981	1 396 242	-	-	-
Development Bank of South Africa 2	61000713	2,110,000	381 954	17 683	399 637	-	-	-
			1 677 215	118 664	1 795 879	-	-	-
Total external loans								
Annuity Loans			1 677 215	118 664	1 795 879	-	-	-
			1 677 215	118 664	1 795 879	-	-	-

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2018	
Cost/Revaluation	Accumulated depreciation
1,000,000	200,000
2,000,000	400,000
3,000,000	600,000
4,000,000	800,000
5,000,000	1,000,000
6,000,000	1,200,000
7,000,000	1,400,000
8,000,000	1,600,000
9,000,000	1,800,000
10,000,000	2,000,000
11,000,000	2,200,000
12,000,000	2,400,000
13,000,000	2,600,000
14,000,000	2,800,000
15,000,000	3,000,000
16,000,000	3,200,000
17,000,000	3,400,000
18,000,000	3,600,000
19,000,000	3,800,000
20,000,000	4,000,000
21,000,000	4,200,000
22,000,000	4,400,000
23,000,000	4,600,000
24,000,000	4,800,000
25,000,000	5,000,000
26,000,000	5,200,000
27,000,000	5,400,000
28,000,000	5,600,000
29,000,000	5,800,000
30,000,000	6,000,000
31,000,000	6,200,000
32,000,000	6,400,000
33,000,000	6,600,000
34,000,000	6,800,000
35,000,000	7,000,000
36,000,000	7,200,000
37,000,000	7,400,000
38,000,000	7,600,000
39,000,000	7,800,000
40,000,000	8,000,000
41,000,000	8,200,000
42,000,000	8,400,000
43,000,000	8,600,000
44,000,000	8,800,000
45,000,000	9,000,000
46,000,000	9,200,000
47,000,000	9,400,000
48,000,000	9,600,000
49,000,000	9,800,000
50,000,000	10,000,000
51,000,000	10,200,000
52,000,000	10,400,000
53,000,000	10,600,000
54,000,000	10,800,000
55,000,000	11,000,000
56,000,000	11,200,000
57,000,000	11,400,000
58,000,000	11,600,000
59,000,000	11,800,000
60,000,000	12,000,000
61,000,000	12,200,000
62,000,000	12,400,000
63,000,000	12,600,000
64,000,000	12,800,000
65,000,000	13,000,000
66,000,000	13,200,000
67,000,000	13,400,000
68,000,000	13,600,000
69,000,000	13,800,000
70,000,000	14,000,000
71,000,000	14,200,000
72,000,000	14,400,000
73,000,000	14,600,000
74,000,000	14,800,000
75,000,000	15,000,000
76,000,000	15,200,000
77,000,000	15,400,000
78,000,000	15,600,000
79,000,000	15,800,000
80,000,000	16,000,000
81,000,000	16,200,000
82,000,000	16,400,000
83,000,000	16,600,000
84,000,000	16,800,000
85,000,000	17,000,000
86,000,000	17,200,000
87,000,000	17,400,000
88,000,000	17,600,000
89,000,000	17,800,000
90,000,000	18,000,000
91,000,000	18,200,000
92,000,000	18,400,000
93,000,000	18,600,000
94,000,000	18,800,000
95,000,000	19,000,000
96,000,000	19,200,000
97,000,000	19,400,000
98,000,000	19,600,000
99,000,000	19,800,000
100,000,000	20,000,000

[illegible]

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2018	
Cost/Revaluation	Accumulated depreciation

Opening Balance	Correction of prior year error	Reclassification	Additions	Under Construction 2016	Disposals	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
100 936 065	422 996	-	3 788 299	-	(7 951 714)	97 195 646	(67 919 014)	-	(10 185 169)	7 884 734	(799 944)	(71 019 393)	26 176 253

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2018	
Cost/Revaluation	Accumulated depreciation

	Opening Balance	Correction of prior year error	Reclassification	Additions	Under Construction 2016	Disposals	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance lease														
Leased vehicles, Office and Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets														
Cemeteries	6 463 589	-	-	-	-	-	6 463 589	(2 708 074)	-	(129 263)	-	-	(2 837 337)	3 626 252
Cemeteries perimeter protection	2 903 908	-	-	150 000	-	-	3 053 908	(173 069)	-	(93 353)	-	-	(266 422)	2 787 486
Community center	48 230 133	-	-	180 032	-	-	48 410 165	(14 628 426)	-	(1 299 940)	-	-	(15 928 366)	32 481 799
Libraries	1 183 252	-	-	-	-	-	1 183 252	(573 424)	-	(21 013)	-	-	(594 437)	588 815
Sport and recreational facilities	6 318 380	-	-	8 648 011	-	-	14 966 391	(2 781 857)	-	(375 069)	-	(4 195)	(3 161 121)	11 805 270
Library books	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	65 099 262	-	-	8 978 043	-	-	74 077 305	(20 864 850)	-	(1 918 638)	-	(4 195)	(22 787 683)	51 289 622

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2018	
Cost/Revaluation	Accumulated depreciation

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MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2018	
Cost/Revaluation	Accumulated depreciation

	Opening Balance	Correction of prior year error	Reclassification	Additions	Under Construction 2016	Disposals	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings	291 046 166	-	-	1 932 188	-	(121 070)	292 857 284	(22 731 471)	-	(1 395 584)	120 898	-	(24 006 157)	268 851 127
Infrastructure	2 108 849 421	-	-	48 198 091	-	-	2 157 047 512	(834 245 349)	-	(62 043 038)	-	(5 495 221)	(901 783 608)	1 255 263 904
Other	100 936 065	422 996	-	3 788 299	-	(7 951 714)	97 195 646	(67 919 014)	-	(10 185 169)	7 884 734	(799 944)	(71 019 393)	26 176 253
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets	65 099 262	-	-	8 978 043	-	-	74 077 305	(20 864 850)	-	(1 918 638)	-	(4 195)	(22 787 683)	51 289 622
Investment properties	18 810 940	-	-	-	-	-	18 810 940	(3 610 712)	-	(385 717)	-	-	(3 996 429)	14 814 511
Intangible assets	4 117 243	-	-	602 885	-	-	4 720 128	(3 080 881)	-	(336 591)	-	-	(3 417 472)	1 302 656
Heritage assets	2 160 329	-	-	-	-	-	2 160 329	-	-	-	-	-	-	2 160 329
	2 591 019 426	422 996	-	63 499 506	-	(8 072 784)	2 646 869 144	(952 452 277)	-	(76 264 737)	8 005 632	(6 299 360)	1 027 010 742)	1 619 858 402

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Correction of errors Rand	Reclassificati on Rand	Additions Rand	Transfer to LIM 345 Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Developed land	215 242 951	-	-	-	-	(376 000)	214 866 951	-	-	-	-	-	-	214 866 951
Undeveloped land	22 892 882	294 000	-	-	-	-	23 186 882	-	-	-	-	-	-	23 186 882
Dwellings	20 649 295	-	(2 802 748)	-	-	-	17 846 547	(3 018 797)	-	(474 995)	-	(5 394 012)	(8 887 804)	8 958 743
Landfill site	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential structures	36 927 995	816 464	-	866 837	(2 471 203)	(994 308)	35 145 785	(13 067 267)	(25 833)	(833 964)	470 212	(1 481 472)	(13 843 669)	21 302 116
	295 713 123	1 110 464	(2 802 748)	866 837	(2 471 203)	(1 370 308)	291 046 165	(16 086 064)	(25 833)	(1 308 959)	470 212	(6 875 484)	(22 731 473)	268 314 692
Infrastructure														
Electricity	931 483 866	4 193 922	(12 040 832)	31 248 810	(158 470)	-	954 727 296	(417 778 883)	(72 135)	(22 828 992)	-	-	(440 655 040)	514 072 256
Roads	1 162 121 144	12 119 034	(24 829 191)	33 375 703	(39 199 683)	-	1 143 587 007	(355 479 861)	3 936 275	(37 837 732)	-	(1 520 739)	(383 938 383)	759 648 624
Solid waste disposal	26 343 987	-	(15 808 866)	-	-	-	10 535 121	(9 596 774)	-	(55 152)	-	-	(9 651 926)	883 195
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 119 948 997	16 312 956	(52 678 889)	64 624 513	(39 358 153)	-	2 108 849 424	(782 855 518)	3 864 140	(60 721 876)	-	-	(834 245 349)	1 274 604 075
Other														
Machinery and equipment	30 580 527	333 038	-	1 589 098	(1 191 461)	(87 027)	31 224 175	(18 569 704)	(45 494)	(2 523 165)	55 630	(142 344)	(20 391 747)	10 832 428
Furniture and office equipment	11 374 014	724 953	-	915 312	(630 390)	(308 868)	12 075 021	(6 508 031)	(39 675)	(1 200 221)	224 747	(62 492)	(7 120 803)	4 954 218
Computer equipment	7 653 875	364 431	-	1 309 656	(218 270)	(902 787)	8 206 905	(5 663 332)	(44 613)	(817 317)	232 329	(51 491)	(6 157 121)	2 049 784
Transport assets	45 497 960	(699 923)	-	3 412 411	(497 682)	(603 385)	47 109 381	(30 019 845)	1 492 179	(4 837 138)	480 919	(176 184)	(32 738 207)	14 371 174
Library books	2 112 258	123 304	-	86 600	-	(1 579)	2 320 583	(1 332 228)	(17 615)	(162 870)	1 579	-	(1 511 134)	809 449
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	97 218 634	845 803	-	7 313 077	(2 537 803)	(1 903 646)	100 936 065	(62 093 140)	1 344 782	(9 540 711)	995 204	(432 511)	(67 919 012)	33 017 053

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Correction of errors Rand	Reclassificati on Rand	Additions Rand	Transfer to LIM 345 Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment Rand	Closing Balance Rand	Carrying value Rand
Work In Progress														
Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets														
Cemetries	6 293 689	-	-	169 900	-	-	6 463 589	(2 582 889)	-	(125 185)	-	-	(2 708 074)	3 755 515
Cemetries perimeter protection	1 699 574	-	-	1 359 403	(148 480)	(6 589)	2 903 908	(110 112)	-	(52 273)	2 344	(13 800)	(173 069)	2 730 839
Civic theaters	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dwellings	2 085 751	-	(2 085 751)	-	-	-	-	-	-	-	-	-	-	-
Community center	43 444 844	5 976 763	-	514 351	(1 705 825)	-	48 230 133	(13 059 693)	(271 502)	(1 290 966)	-	(805 964)	(14 628 426)	33 601 707
Libraries	1 183 252	-	-	-	-	-	1 183 252	(552 411)	-	(21 013)	-	-	(573 424)	609 828
Sport and recreational facilities	27 349 530	1 247 072	(10 173 685)	-	(9 318 333)	(2 786 204)	6 318 380	(5 002 137)	(43 642)	(229 284)	1 466 415	(303 007)	(2 781 857)	3 536 523
Liabrury books	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	82 056 640	7 223 835	(12 259 436)	2 043 654	(11 172 638)	(2 792 793)	65 099 262	(21 307 242)	(315 144)	(1 718 721)	1 468 759	(1 122 771)	(20 864 850)	44 234 412

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Correction of errors Rand	Reclassificati on Rand	Additions Rand	Transfer to LIM 345 Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	295 713 123	1 110 464	(2 802 748)	866 837	(2 471 203)	(1 370 308)	291 046 165	(16 086 064)	(25 833)	(1 308 959)	470 212	(6 875 484)	(23 826 128)	268 314 692
Infrastructure	2 119 948 997	16 312 956	(52 678 889)	64 624 513	(39 358 153)	-	2 108 849 424	(782 855 518)	3 864 140	(60 721 876)	-	-	(839 713 254)	-
Other	-	-	-	7 313 077	-	-	7 313 077	-	1 344 782	-	995 204	(432 511)	1 907 475	-
Work In Progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets	82 056 640	7 223 835	(12 259 436)	2 043 654	(11 172 638)	(2 792 793)	65 099 262	(21 307 242)	(315 144)	(1 718 721)	1 468 759	(1 122 771)	(22 995 119)	44 234 412
	2 497 718 760	24 647 255	(67 741 073)	74 848 081	(53 001 994)	(4 163 101)	2 472 307 928	(820 248 824)	4 867 945	(63 749 556)	2 934 175	(8 430 766)	(884 627 026)	312 549 104
Investment properties														
Developed land	4 297 251	-	-	-	-	-	4 297 251	-	-	-	-	-	-	4 297 251
Dwellings	6 482 575	-	-	-	-	(76 532)	6 406 043	(3 062 739)	-	(183 120)	31 074	-	(3 214 785)	3 191 258
Non residential structures	1 975 362	6 132 283	-	-	-	-	8 107 645	-	(191 667)	(204 260)	-	-	(395 927)	7 711 718
	12 755 188	6 132 283	-	-	-	(76 532)	18 810 939	(3 062 739)	(191 667)	(387 380)	31 074	-	(3 610 712)	15 200 227
Intangible assets														
Intangible Assets	4 161 368	-	-	244 434	-	(288 559)	4 117 243	(2 937 158)	-	(331 543)	187 820	-	(3 080 881)	1 036 362
	4 161 368	-	-	244 434	-	(288 559)	4 117 243	(2 937 158)	-	(331 543)	187 820	-	(3 080 881)	1 036 362
Heritage assets														
Heritage assets	2 115 329	45 000	-	-	-	-	2 160 329	-	-	-	-	-	-	2 160 329
	2 115 329	45 000	-	-	-	-	2 160 329	-	-	-	-	-	-	2 160 329
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	295 713 123	1 110 464	(2 802 748)	866 837	(2 471 203)	(1 370 308)	291 046 165	(16 086 064)	(25 833)	(1 308 959)	470 212	(6 875 484)	(22 731 473)	268 314 692

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Correction of errors Rand	Reclassificati on Rand	Additions Rand	Transfer to LIM 345 Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment Rand	Closing Balance Rand	Carrying value Rand
Infrastructure	2 119 948 997	16 312 956	(52 678 889)	64 624 513	(39 358 153)	-	2 108 849 424	(782 855 518)	3 864 140	(60 721 876)	-	-	(834 245 349)	-
Other	97 218 634	845 803	-	7 313 077	(2 537 803)	(1 903 646)	100 936 065	-	1 344 782	-	995 204	(432 511)	-	-
Work In Progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets	82 056 640	7 223 835	(12 259 436)	2 043 654	(11 172 638)	(2 792 793)	65 099 262	(21 307 242)	(315 144)	(1 718 721)	1 468 759	(1 122 771)	(20 864 850)	44 234 412
Investment properties	12 755 188	6 132 283	-	-	-	(76 532)	18 810 939	(3 062 739)	(191 667)	(387 380)	31 074	-	(3 610 712)	15 200 227
Intangible assets	4 161 368	-	-	244 434	-	(288 659)	4 117 243	(2 937 158)	-	(331 543)	187 820	-	(3 080 881)	1 036 362
Heritage assets	2 115 329	45 000	-	-	-	-	2 160 329	-	-	-	-	-	-	2 160 329
	2 613 969 279	31 670 341	(67 741 073)	75 092 515	(55 539 797)	(6 431 838)	2 591 019 427	(826 248 721)	4 676 278	(64 468 479)	3 153 069	(8 430 766)	(884 533 265)	330 946 022